Alberta

Freedom To Create. Spirit To Achieve.

Sustainable Resource Development

Annual Report
2009-2010

Government of Alberta

Copies of the annual report are available on the Alberta Sustainable Resource Development website at www.srd.alberta.ca or by contacting:

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Sustainable Resource Development

Annual Report
2009-2010

Preface 2

Minister's Accountability Statement 3

Message from the Minister 4

Management's Responsibility for Reporting 6

Results Analysis 8

- **Organization Chart 8**
- **Ministry Overview 9**
- **Review Engagement Report 12**
- **Performance Measures Summary Table 13**
- **Discussion and Analysis of Results 16**
- **Expense by Function 36**

Financial Information 37

Performance Measure Methodology 98

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 ministries.

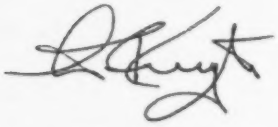
The annual report of the Government of Alberta released June 24, 2010 contains ministers' accountability statements, the consolidated financial statements of the province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

This annual report of the Ministry of Sustainable Resource Development contains the Minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry including the Department of Sustainable Resource Development, regulated funds, and provincial agencies for which the Minister is responsible**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report**

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2010, was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at August 20, 2010, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Mel R. Knight
Minister of Sustainable Resource Development

Message from the Minister

We are fortunate to live in Alberta, a place of abundant natural resources and unsurpassed beauty.

The development of our resources creates jobs and opportunities for each generation of Albertans and ensures a high standard of living. With that development there is a responsibility — one readily embraced by Albertans — to act as good stewards of our natural environment for the generations that follow.

Our ministry's mission is to encourage the responsible use of the province's natural resources by using leading practices in management, science and stewardship. At Sustainable Resource Development, we go to work each day under greater scrutiny than ever before. An international audience is focused on Alberta, questioning the pace of development and our commitment to long-term conservation and stewardship of our natural resources. But this audience may not be aware of the proactive and essential work we do each and every day to manage Alberta's public lands, forests and fish and wildlife resources. Our values of respect and care for the land are deeply embedded in Alberta's history and culture.

While the challenges were many in 2009-10, we accomplished much over the past year. The proclamation of the *Alberta Land Stewardship Act* was a significant milestone. The Act established the Land Use Secretariat, which supports the development and implementation of regional land-use plans. We continue to make progress with the first regional plan, in the Lower Athabasca region in Alberta's northeast. The government is considering the advice from the regional advisory council and will proceed with more public consultation in the development of this plan. Meanwhile, progress is also being made on the South Saskatchewan Regional Plan for land use in southern Alberta.

Alberta continued its work to improve the competitive position of our province's forestry industry, accepting 43 of 49 recommendations in the Forest Industry Sustainability Committee's final report. We are working on many of these recommendations, including helping direct more than $50 million in grants to explore bioenergy opportunities and assist producers interested in pursuing bioeconomy initiatives.

Also in the forests, ministry staff continue the fight against the mountain pine beetle, completing aerial surveys that showed the biggest in-flight of beetles since 2006 in the west-central part of the province, but no significant increase in the south. Sustainable Resource Development also launched a mountain pine beetle website — www.mpb.alberta.ca — to inform and educate the public about the ministry's efforts to control this pest.

Our dedicated firefighters battled 1,633 wildfires in Alberta during the 2009 fire season and helped our mutual aid partners in British Columbia and the Yukon fight fires on their own turf. Nearly 99 per cent of Alberta's wildfires were contained within the first burning period — before 10 a.m. the day following being first reported — a remarkable success rate.

The Government of Alberta is committed to ensuring that grizzly bears remain part of the landscape, and our ministry continues to implement forward-thinking initiatives, including the addition of new BearSmart communities. BearSmart is a program to assist people and communities in adopting conservation and safety practices that protect both the public and bears. A grizzly bear status report, prepared by an independent scientist, provided us with valuable new information for our work in managing grizzlies and their habitat.

Another innovative idea that yielded good results was the partnership between Sustainable Resource Development, the RCMP and the ministries of Transportation; Tourism, Parks and Recreation; and Solicitor General and Public Security. We worked together to enforce responsible behaviour on our roadways and on public land.

During the May long weekend, our task force handed out 2,230 tickets and detected and extinguished 33 abandoned campfires. Staff met with nearly 18,000 Albertans over the course of the weekend to talk about safe and responsible behaviour in Alberta's backcountry. I am proud to note that this partnership received positive public attention and a nomination for a Premier's Award of Excellence.

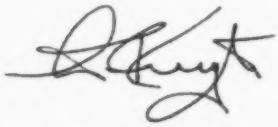
To improve Alberta's competitiveness, we are changing the way the ministry does business through an enhanced process for approving upstream oil and gas operations on public lands. Ministry staff will spend less time reviewing applications for routine dispositions and more time enforcing compliance with conditions for public land use.

Legislative amendments proclaimed in 2009 improved the way the Surface Rights Board conducts its business, introducing alternative dispute resolution and mediation as ways to resolve application disputes. These changes have significantly improved the service the board provides, and cases that used to take up to two years to resolve are now often concluded within four months.

We are all aware that hunting and fishing are valuable tools in wildlife management, and I am happy to report increased participation in these activities, particularly among young people. The opening of the Bow Habitat Station in Calgary last October will only enhance our efforts to educate and inform Albertans about fish and their habitat. The facility was an instant success, with more than 900 visitors stopping by between opening day and March 31, 2010.

This annual report provides considerable detail on Sustainable Resource Development's initiatives and programs in 2009-10. The ministry, along with other government departments, also took action in 2009 by looking internally at ways to more efficiently provide services to Albertans. The collective savings resulting from those efforts helped lower the deficit and improve the government's fiscal position. I am very appreciative and proud of the effort and professionalism of ministry staff.

I would also like to extend my thanks to all Albertans who, either individually or as part of stakeholder groups, take seriously their responsibility to act as good stewards of our lands, forests, and fish and wildlife resources. We all have an investment in Alberta's future, and we all have a role to play to ensure its prosperity and the health of our natural resources.



Mel R. Knight
Minister of Sustainable Resource Development

Management's Responsibility for Reporting

The Ministry of Sustainable Resource Development includes the Department of Sustainable Resource Development, the Land Use Secretariat, the Natural Resources Conservation Board, the Surface Rights Board, the Land Compensation Board, and the Environmental Protection and Enhancement Fund.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Sustainable Resource Development. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information agrees with the underlying data and the sources used to prepare it
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information
- Completeness – Performance measures and targets match those included in Budget 2009. Actual results are presented for all measures

As Deputy Minister, in addition to program responsibilities, I establish and maintain the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money
- provide information to manage and report on performance
- safeguard the assets and properties of the province under ministry administration

- provide Executive Council, Treasury Board, the Minister of Finance and Enterprise and the Minister of Sustainable Resource Development with any information needed to fulfill their responsibilities
- facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*

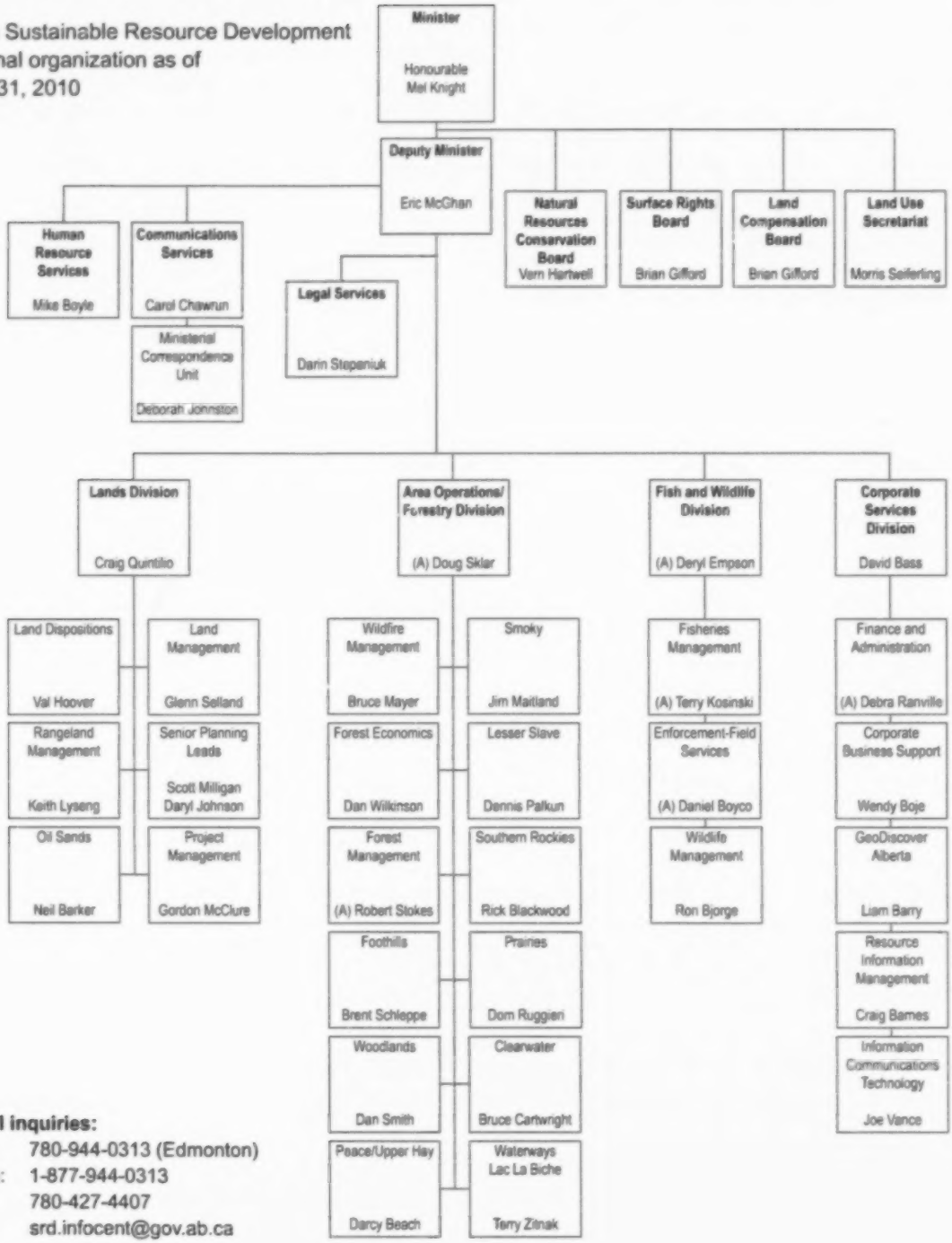
In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executive of the individual entities within the ministry.

Eric J. McGhan
Deputy Minister
August 20, 2010

Results Analysis

Organization Chart

Alberta Sustainable Resource Development
functional organization as of
March 31, 2010



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Ministry Overview

The Ministry of Sustainable Resource Development consists of the Department of Sustainable Resource Development, the Land Use Secretariat, the Natural Resources Conservation Board, the Surface Rights Board, the Land Compensation Board, and the Environmental Protection and Enhancement Fund. The ministry also delegates administration for certain legislative responsibilities to three delegated administrative organizations: the Alberta Conservation Association, the Forest Resource Improvement Association of Alberta, and the Alberta Professional Outfitters Society.

The Department of Sustainable Resource Development

The Department of Sustainable Resource Development has three main operating divisions: Lands, Forestry, and Fish and Wildlife. Communications, Corporate Services, Human Resource Services, and Legal Services provide support for these divisions.

Lands Division

The Lands Division manages the use of Alberta's public land to achieve its efficient use and balance environmental, economic and social needs. The division focuses on several key areas:

- managing the use of all public land in the province to support diverse interests including recreation, agriculture, commercial tourism, geophysical exploration, metallic and industrial mineral exploration, and aggregate (gravel and sand) exploration and extraction, as well as oil, gas, coal, oil sands, and quarry development
- issuing land-use dispositions (approvals to use Alberta's public land), regulating geophysical activities, maintaining disposition conditions, and collecting revenue
- allocating and managing rangeland resources and maintaining sustainable grazing on public agricultural land
- managing, reducing, and reclaiming the physical disturbances that industrial and recreational users cause on public land
- establishing policies, procedures, and guidelines, as well as operational land-use plans
- ensuring a clear and effective policy and legislative framework for managing public land

Programs to manage Alberta's public land are delivered through four branches: Land Management, Rangeland Management, Land Dispositions, and Oil Sands.

Forestry Division

The Forestry Division manages and protects Alberta's forest resources through effective and efficient sustainable forest management practices, wildfire management, forest industry development, and forest health activities. These initiatives are supported using the best information, science and technology available to ensure long-term benefits for present and future generations. The division focuses on several key areas:

- planning and monitoring reforestation success, auditing timber production and collecting revenue, and allocating forest resources for industrial use
- preventing, detecting, and suppressing wildfires in the Forest Protection Area
- managing mountain pine beetle infestations, other forest pests, and invasive plants
- managing long-term strategic forestry initiatives such as the forest industry sustainability initiative, timber royalties, forest product market intelligence analysis, value-added opportunities, and forestry research
- delivering professional training and safety programs through the Hinton Training Centre
- delivering summer natural resource work experience and training through the Junior Forest Ranger and Aboriginal Junior Forest Ranger programs
- ensuring a clear and effective policy and legislative framework for managing forests

Programs to manage Alberta's forests are delivered by three branches: Wildfire Management, Forest Management, and Forest Economics. The Forestry Division is also responsible for natural resource management in 11 regional areas throughout the province: Clearwater, Foothills, Lac La Biche, Lesser Slave, Peace, Prairies, Southern Rockies, Smoky, Upper Hay, Waterways and Woodlands.

Fish and Wildlife Division

The Fish and Wildlife Division ensures that Alberta's wild species are managed and used in a manner that optimizes the environmental, social and economic benefits Albertans receive from these resources, while ensuring they are sustained for present and future generations. The division focuses on several key areas:

- managing fish and wildlife populations for conservation and domestic, recreational, and commercial uses
- managing species and species at risk
- working with land managers to manage and conserve wildlife habitat
- maintaining high levels of compliance with fish and wildlife legislation
- minimizing human-wildlife conflicts
- minimizing threats from fish and wildlife diseases and invasive alien species
- ensuring a clear and effective policy and legislative framework for managing wild species
- providing public education

Programs to manage Alberta's fish and wildlife are delivered through three branches: Wildlife Management, Fisheries Management, and Enforcement-Field Services.

Support Services

Ministry Support Services provide a range of services that are more efficiently and effectively delivered centrally. These services include: human resource services, communications, legal services, financial services, corporate administrative services, policy and planning coordination, information communication technology services, public outreach and web services, Aboriginal consultation, cross-government relations and spatial geographic information services.

Agencies

Land Use Secretariat

The Land Use Secretariat provides the leadership, support, and expertise to government ministries to coordinate the implementation of Alberta's Land-use Framework. It also supports the regional advisory councils in providing their advice to government on the development of regional plans.

Natural Resources Conservation Board

The Natural Resources Conservation Board (NRCB) has two core businesses: the board conducts independent public reviews of major non-energy natural resource projects under the *Natural Resources Conservation Board Act*, and is an appeal panel for NRCB regulatory decisions made by its operational divisions under the *Agricultural Operation Practices Act*. The NRCB's operational divisions regulate Alberta's confined feeding operations.

Surface Rights Board and Land Compensation Board

The Surface Rights Board conducts hearings when operators and landowners or occupants fail to agree on entry or compensation related to resource activity on privately owned lands or occupied public lands.

The Land Compensation Board establishes compensation when private land is expropriated by a public authority for projects in the public interest.

The Environmental Protection and Enhancement Fund

This fund is used for environmental emergencies and environmental protection or enhancement. Sustainable Resource Development contributes to the fund's revenues primarily through timber royalties and fees. The ministry draws from the fund's Natural Resources Emergency Program to cover firefighting expenses, forest health initiatives, and feeding and fencing programs to control wildlife.

Sustainable Resource Development's Vision
Alberta's lands, forests, fish, and wildlife benefit present and future Albertans.

Sustainable Resource Development's Mission
Sustainable Resource Development encourages balanced and responsible use of Alberta's natural resources through the application of leading practices in management, science, and stewardship.

AUDITOR GENERAL *Alberta*

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the Ministry of Sustainable Resource Development's 2009-10 Annual Report. These performance measures are prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness – performance measures and targets match those included in Budget 2009. Actual results are presented for all measures.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry and analytical procedures and discussion related to information supplied to my Office by the ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the ministry's 2009-10 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
August 24, 2010

Performance Measures Summary Table

Core Business/Goal/ Performance Measure	Prior Year's Results				Target	Current Actual
Core Business One: Lands **Goal 1: Land use in Alberta enhances quality of life by achieving Alberta's environmental, economic, and social goals.**						
1.a Regional planning indicator Number of regional land-use plans completed within specified timeframes		New measure			**Finish 2 plans**	2 plans initiated but not finished 2009-10
Goal 2: Alberta's public lands, including rangelands and shorelands, are managed to remain healthy, productive and sustainable.						
2.a Timely, efficient disposition decisions Average number of working days for completing geophysical approvals	7.1 2005-06	9.5 2006-07	10.7 2007-08	8.8 2008-09	**≤10**	8.1 2009-10
2.b Public Rangeland Allocation Animal unit months allocated (millions)	1.7 2005-06	1.7 2006-07	1.7 2007-08	1.7 2008-09	**≥1.6**	1.7 2009-10
2.c* Rangeland Sustainability Percentage of rangeland leases in good standing	92% 2005-06	90% 2006-07	89% 2007-08	87% 2008-09	**≥90%**	86% 2009-10

Performance Measures Summary Table (continued)

Core Business/Goal/ Performance Measure	Prior Year's Results				Target	Current Actual
Core Business Two: Forestry **Goal 3: Alberta's forests and landscapes are managed to control wildfire, to sustain healthy ecosystems and to support healthy communities.**						
3.a*Timber Allocation Gap between harvest and annual allowable cut remains positive	5 2005-06	4 2006-07	5 2007-08	6 2008-09	**>0**	6 2008-09
3.b Containment and Suppression Wildfires contained within the first burning period (10 a.m. day following detection)	98% 2005-06	96% 2006-07	97% 2007-08	98% 2008-09	**≥96%** (average of previous five year's results)	99% 2009-10
Core Business Three: Fish and Wildlife **Goal 4: Alberta's fish and wildlife resources and their habitats are healthy, productive and sustainable.**						
4.a Healthy Sustainable Wildlife Populations Percentage of species at risk			1.4% 2000	2.2% 2005	**<5%**	2.2% 2005

Performance Measures Summary Table (continued)

Core Business/Goal/ Performance Measure	Prior Year's Results				Target	Current Actual
Core Business Four: Quasi-judicial land-use and compensation decisions **Goal 5: Natural Resources Conservation Board reviews and hearings result in balanced decisions and are conducted in a manner that is effective, fair, and transparent.**						
5.a Percentage of NRCB decisions Issued within 80 working days of the conclusion of a review under the *Natural Resources Conservation Board Act* and within 30 working days of hearings under the *Agricultural Operation Practices Act*		No reviews completed 2006-07	No reviews completed 2007-08	100% (3 reviews completed) 2008-09	**100%**	100% (2 reviews completed)
Goal 6: Albertans are provided with accessible processes, and timely and fair compensation decisions when private land is expropriated or developed for natural resources.						
6.a Management: Increase the number of files heard annually by hearing or mediation			- 274 heard	47% 403 heard	**5% increase**	44% 577 heard
6.b Disposition: Increase the number of decisions issued annually and/or settlement agreements			- 220 2007	18% 259 2008	**5% increase**	254% 916 2009

*Indicates performance measures that have been reviewed by the Office of the Auditor General
The performance measures indicated with an asterisk were selected for review by ministry management based on the following criteria established by government:
1. Enduring measures that best represent the goal and mandated initiatives
2. Measures that have well established methodology and data reporting
3. Measures that have outcomes over which the government had a greater degree of influence

For more detailed information, see Performance Measure Methodology on page 98 of this annual report.

Core Business One: Lands

In 2009-10, 18 per cent of the ministry's operating expenses related to delivering the lands core business. Through this core business, the ministry manages the demands of multiple stakeholders who use Alberta's public lands by integrating planning and best-management practices to sustain the benefits Albertans receive from their natural resources and public lands. This also includes initiatives being completed to support Alberta's Land-use Framework.

Lands' related actual expense for 2009-10 was $69.3 million, which was $5.9 million or 8 per cent less than budgeted amounts of $75.2 million. The reduction of nominal sum disposals contributed to the reduced spending regarding the Lands core business. The 2009-10 actual expenditure was $8.3 million or 14 per cent greater than the 2008-09 actual expenditure due to the increase in nominal sum disposal expenses.

The Land Use Secretariat is a new entity in the ministry established under the *Alberta Land Stewardship Act* to coordinate implementation of Alberta's Land-use Framework. The Land Use Secretariat's related actual expense of $16 million and budget of $16.8 million increased in 2009-10, as the secretariat became fully operational. Its budget in 2008-09 was $7 million and its actual expense was $7.6 million during the same time period.

GOAL 1:
Land use in Alberta enhances quality of life by achieving Alberta's environmental, economic, and social goals

Results:

Land-use Framework and Land Use Secretariat: On October 1, 2009, the *Alberta Land Stewardship Act* (ALSA) was proclaimed providing legislative authority to implement the Land-use Framework as the blueprint for future land use in Alberta. Since then, the Land Use Secretariat, which ALSA established, has been making good progress in implementing the framework to realize Alberta's environmental, economic and social goals.

Regional Planning: ALSA established the authority to develop regional plans for the province. The creation of a regional plan is a complex process that involves intensive collaboration across government ministries and with many stakeholders. The Lower Athabasca (northeastern Alberta) Region's planning process began with the appointment of its regional advisory council (RAC) on December 19, 2008. Since that time, the RAC has been working to provide advice to government based on the terms of reference for the Lower Athabasca Region.

Balancing conservation and development is a challenging task. The RAC concluded its work in spring 2010, upon submitting its advice to the Government of Alberta. Through the lessons learned in this first regional plan, the Land Use Secretariat is streamlining its approach and is using knowledge gathered as a solid foundation for future regional plans.

To begin regional planning for southern Alberta, the South Saskatchewan RAC was established on May 19, 2009, along with a publicly released profile of the region and terms of reference for the South Saskatchewan Regional Plan.

While still in its early days, the tangible results of regional planning in Alberta include conducting several information and input sessions with stakeholders and the public on the Lower Athabasca Regional Plan (LARP) and South Saskatchewan Regional Plans (SSRP) by:

- holding 26 sessions in 13 locations in May and June 2009 across northeastern Alberta during the first phase of consultation for the LARP
- holding 32 sessions in 16 locations in November and December 2009 across southern Alberta during the first phase of consultation for the SSRP. Over 360 stakeholders and 500 members of the public attended SSRP sessions.
- reviewing over 1,000 workbooks Albertans completed to provide input into the SSRP
- meeting with 45 First Nation and Métis communities during 2009-10

These sessions are a critical part of developing regional plans. Participants learn about the planning process, address important issues and are able to contribute to Alberta's vision for the future. Likewise, ongoing engagement and consultation with Aboriginal peoples provides them with an opportunity to participate in the regional planning process.

To measure performance in implementing the Land-use Framework, the ministry originally targeted to complete two regional plans by March 31, 2010. Although two regional plans were initiated, they were not completed by this date. Completion targets have been adjusted to ensure that complex issues are properly addressed, so that informed and balanced land-use decisions can be made in the regional plans.

Information, Monitoring and Knowledge Systems: During 2009-10, the Land Use Secretariat (in partnership with Tourism, Parks and Recreation) also updated and released information on Environmentally Significant Areas in Alberta to inform and contribute to better land-use planning and policy at local, regional and provincial scales. The update identifies areas that have international, national and provincial environmental significance based on a suite of criteria. Many of these areas contain rare or unique ecosystem elements.

Secretariat staff have also been developing and refining cumulative effects models and tools that support the creation and implementation of regional plans. A cumulative effects approach considers the potential impacts of all activities within a region, not just the impact from individual projects.

As the Alberta government, with support from the Land Use Secretariat, moves forward in helping achieve Alberta's vision for land and natural resource use, continued collaboration across government and with stakeholders is vital to the success of this work. Sound land-use decisions are required to achieve Alberta's economic, environmental, and social goals. These decisions will allow the government to continue to meet the challenges of the global economy, while ensuring that future generations have the natural resources and quality of life that we enjoy today.

GOAL 2:

Alberta's public lands, including rangelands and shorelands, are managed to remain healthy, productive and sustainable

Results:

Sustainable Resource Development began to modernize the way it manages public land in 2009-10. Processes, systems and legislative frameworks were reviewed and their transformation was initiated to make the ministry more effective and efficient in fulfilling the important government function of public land management.

Integrated Land Management: One way the ministry is promoting better public land use is through the Integrated Land Management (ILM) Program, which encourages users of public land to work together to reduce their disturbance footprint on the land. The program also enhances understanding of environmental stewardship. In 2009-10, Sustainable Resource Development completed the *ILM Engagement Guide* and other information material. Work also continued on industrial access needs, development of a risk assessment framework, and identification of task teams and responsibilities. Linkages were made with the Berland-Smoky Regional Access Development Planning Group to pilot the use of these new tools.

The Berland Smoky area east of Grande Cache has multiple and competing land-use values. The Berland-Smoky Regional Access Development Plan is the first initiative of its kind in Alberta to plan for primary and secondary roads and pipelines within set thresholds for grizzly bear and caribou. This project, expected to be completed in 2010, is being undertaken in partnership with the forestry, and oil and gas industries through the Foothills Landscape Management Forum.

Innovative approaches to public land management: Legislation directs how the government manages public land, so changes were required in 2009-10 to help the ministry modernize its approach to land management. The *Public Lands Act* has functioned for more than 40 years primarily as a land allocation tool. With the introduction of the Land-use Framework and proclamation of the *Alberta Land Stewardship Act*, changes were needed to allow the *Public Lands Act* to function as a better land management tool. The amendments to the Act will improve clarity regarding public land use, enhance compliance and enforcement and provide for appeals to ensure fairness.

Modernization of regulatory requirements for industry is also underway. The Regulatory Alignment Project (RAP) was initiated to integrate how government approves energy development in the upstream oil and gas sector and in situ oil sands. Eight task teams were created to coordinate and streamline regulatory requirements facing industry. RAP is a joint effort among Sustainable Resource Development, Energy, Environment, Treasury Board, the Energy Resources Conservation Board, Aboriginal Relations, and Justice and Attorney General.

The ministry began work on a revised area operating agreement to result in an enhanced approval process to change the way it approves use of Alberta's public land. Work proceeded to streamline land-use application processing, develop up-front planning tools that identify landscape sensitivities, and develop an integrated guidance package for industrial activity planning and operation. When this is done, Sustainable Resource Development will be able to focus on the more complex applications for public land use and compliance with conditions of use. The enhanced approval process is targeted to be introduced in 2010-11.

The ministry is currently measuring its performance in completing industry applications to use public land by measuring the time it takes to complete approvals for geophysical exploration. Sustainable Resource Development achieved a geophysical approval completion time of 8.1 days, surpassing the target of 10 days and reducing the amount of time required for this work from 8.8 days in 2008-09. The results indicate that geophysical applications are being processed in two days less than the target, demonstrating the ministry's efficiency when providing industry with prompt access to public lands for natural resource exploration.

To enact more government-wide change and ensure Alberta remains globally competitive, the ministry also supported the Regulatory Enhancement Project (REP), one of six government re-engineering projects. REP's goal is to streamline the entire regulatory framework in which the natural resource development industry works. This project encompasses four principles: an application process that allows decisions based on the cumulative effects of development; a regulatory system that provides oversight based on understanding of risks; an integrated, audit-based, prioritized compliance function; and an effective and responsible monitoring system. As a member of the cross-ministry coordinating committee for REP, Sustainable Resource Development supported and contributed to the development of a project charter and research into a framework for change.

Oil Sands: To manage the province's oil sands, the Alberta government developed a plan called *Responsible Actions – A Plan for Alberta's Oil Sands*. The plan identified a number of objectives to manage the oil sands areas. An implementation plan identifying the short-, medium- and long-term actions to meet the plan's objectives was developed. In 2009-10, the ministry worked with Treasury Board's Oil Sands Secretariat to determine project deliverables and define performance indicators for successfully delivering on the plan. Sustainable Resource Development also worked with Treasury Board to develop the annual progress report to track and monitor accomplishments. The ministry is responsible for reporting on four indicators of biodiversity: total number of species at risk in the oil sands area; total amount of conservation areas in the oil sands areas; aquatic habitat degradation; and total land disturbed in the oil sands area.

Restoring Public Land: While work was underway to modernize how public land use is managed in Alberta, the ministry was undertaking parallel efforts to restore land productivity. Consistent inspection of the highest-risk use of public land is critical to ensuring it can be reclaimed or restored to productive use. In 2009-10, the ministry redesigned its Land Management Inspection Program (LMIP) to provide a provincial inspection priority system to improve oversight of industrial and commercial activity based on risk criteria such as environmental impact, type of land-use approval and conditions of approval. LMIP improves and supports compliance with land-use conditions and ensure linkages between government inspections and the results of enforcement action. About 80 per cent of the nearly 20,000 inspections targeted for completion under LMIP in 2009-10 were completed. As well, the *Field Guide to Land-use Inspections 2009* was released to ensure consistent inspection protocol for government staff.

Work continued to improve infrastructure on provincial grazing reserves in 2009-10, as the ministry moved forward with its Provincial Grazing Reserve Multiple-use Reconstruction Project. As the owner and landlord of infrastructure on Alberta's 32 provincial grazing reserves, Sustainable Resource Development is responsible for replacing worn-out assets such as fences and water pipes. The reconstruction project includes multiple-use projects such as wildlife-friendly fences, irrigation redevelopment, and development of trails, stock water sources, and new

multi-use pastures. The federal government's Western Economic Diversification Community Adjustment Fund added further funding to the province's $6.1 million for this reconstruction with an infusion of another $6 million: $2.2 million in 2009-10 and $3.8 million planned for 2010-11.

The ministry uses two performance measures to gauge its success in offering grazing opportunities to the livestock industry while sustaining rangeland health. The total amount of grazing allocated is measured in animal unit months (AUMs), the amount of forage needed to feed a 455-kilogram grazing animal (with calf at side) for one month (about 455 kilograms of forage dry matter). The ministry targets to provide 1.6 million AUMs on public lands per year. This target was surpassed during 2009-10 when 1.7 million AUMs of grazing were actually provided on public land. Exceeding the target for this measure is positive as it demonstrates that more grazing opportunities are being provided than expected.

The other measure used to help assess rangeland sustainability is the percentage of rangeland considered to be in good standing. In 2009-10, the result for this measure decreased from 87 to 86 per cent, resulting in the ministry not meeting its target for 90 per cent of leases in good standing. Information from field areas indicates that of the 560 leases set to expire in 2009-10, 484 leases were determined to be in good standing, while 76 were not. The majority of leases not in good standing are a result of incomplete fencing or land not being used. The small decrease in the percentage of leases in good standing from last year highlights the continued struggles of Alberta's livestock industry that make it difficult for producers to invest in land stewardship activities.

Other Operational Highlights

- Continued work on a replacement computer system for the Land Status Automated System (LSAS), the 25-year old main frame registry of provincial public land data. LSAS will be retired by March 2011.
- Improved the Electronic Disposition System in January 2010 to interface with an enterprise content management program. This improvement reduces the need for storing paper files, enables digital processing, and facilitates instant sharing of file documents and information without duplication.
- Reviewed sand and gravel extraction operations on public land to ensure a fair return for commercial use of this resource. Reviews on royalty rates and reclamation security deposits were completed.
- Received a gold Premier's Award of Excellence for the Mobile Office Initiative. This bottom-up initiative driven by the dedication of ministry staff saw the team integrate mobile office technology into existing field operations.

Key Statistics		
	Number	**Hectares**
No. of Active Dispositions	244,027	3,251,853
No. of Applications	6,874	64,329
No. of Approvals	6,365	76,406
No. of Renewals	3,600	248,182
No. of Cancellations	4,827	52,350
No. of Public Land Sales	38	3,332
Amount Received for Sales	$1.3 million	
May Long Weekend 2009 Statistics		
No. of Tickets issued	2,230	
No. of People Given Information	18,000	
No. of Abandoned Campfires Extinguished	33	

Core Business Two: Forestry

In 2009-10, 68 per cent of the ministry's operating expenses related to delivering the Forestry core business. Through this core business, the ministry provides leadership and guidance to ensure the multiple benefits received from the province's forests (e.g., forest products, biodiversity, ecosystem health and water quality and quantity) are realized by using the best possible forest management, wildfire management and forest industry practices.

The Forestry budget reported in the ministry's financial statements does not include approved supplementary funds of $155 million. Forestry 2009-10 related actual expenses of $330.8 million exceeded the original budgeted amount of $182.2 million by $148.6 million or 82 per cent. The supplementary estimate of $155 million provided the funds to cover the actual expenses incurred for wildfire fighting and mountain pine beetle management. The 2009-10 Forestry expenses of $330.8 million declined by $12.9 million or 4 per cent compared to the 2008-09 expenses of $343.7 million. This reduction is due to a decline in mountain pine beetle activities and a more competitive market resulting in lower costs for such items as aircraft contracts.

GOAL 3:
Alberta's forests and landscapes are managed to control wildfire, to sustain healthy ecosystems and to support healthy communities

Results:

Forest Health: To maintain the health of Alberta's forests, the ministry implemented pre-emptive strategies in 2009-10 to manage insect pests such as the mountain pine beetle using the best technology available. More than $32 million was committed to beetle control work in 2009-10.

These projects removed at-risk trees and trees already killed by mountain pine beetles, and completed surveys to detect further infestations. A mountain pine beetle web site was also developed and released to inform the public about this pest and its control. Over 32,000 visits have been made to the site since its launch in mid-July 2009.

The 2009 aerial survey program to detect new mountain pine beetle infestations was completed by October. The results showed the largest in-flight since 2006 in the northern and west-central half of the province, but no significant increase in the south. Field surveys were completed at over 13,000 sites in the province's pine forests. Level one control, which involves grinding, burning or peeling individual trees, was implemented across priority areas of the province as part of the pre-emptive management approach. More than 250,000 infested trees have been controlled in this way.

The ministry has been working with industry to amend forest management plans to meet mountain pine beetle management objectives. Amendments to the Blue Ridge Lumber Mountain Pine Beetle Plan were completed and approved. These amendments set the annual allowable cut to focus on timber stands susceptible to mountain pine beetle. A new mountain pine beetle log management directive was published in February 2010. This directive regulates how logs infested with mountain pine beetles can be safely managed to reduce the risk of beetle spread from logs stored in mill yards prior to processing.

The ministry measures success in sustaining Alberta's forests by comparing the amount of timber the province allows the forest industry to harvest each year (annual allowable cut or AAC) with the forest industry's actual annual harvest. The AAC is specific to forest management areas and takes into account supply and demand of timber. The target for this measure states that the gap between timber harvest and the AAC remains positive. The 2008-09 AAC level (results lag by one year) was set at 27 million cubic metres, which was above the actual timber harvest of 21 million cubic metres producing a gap of 6 million cubic metres. The target for this measure was exceeded indicating that Alberta's forest is sustainable at the current level of industry timber harvesting.

Wildfire Management: Managing wildfires also involves the effective use of leading-edge technology to predict the weather, estimate how large wildfires will grow, and position resources so they are best able to respond. The ministry provides a wildfire management framework that enables the province to respond to wildfires through a regime that quickly detects, contains and suppresses wildfires within the Forest Protection Area (the portion of the province where the ministry has mandated authority to suppress and prevent wildfire) to minimize related losses. The 2009 fire season started on April 1 and ended on October 31, and Alberta recorded 1,633 fires in the Forest Protection Area during this period. Those fires consumed more than 65,000 hectares, approximately the size of Edmonton.

Sustainable Resource Development also has mutual aid agreements with most Alberta municipalities outside the Forest Protection Area and can provide resources if available. The ministry provided assistance to several counties including Lamont and Strathcona when wildfires were threatening human life and property. These fires burned more than 7,000 hectares. Firefighting resources were also exported to British Columbia and the Yukon when conditions warranted. For its work in British Columbia, the ministry received the 2009 Heroes and Rescue Award from the Justice Institute of British Columbia. The award is presented when a team's actions result in lifesaving, rescue, conspicuous bravery or enhance the quality of life for those

facing harm. Firefighting resources were also imported from Ontario, the Northwest Territories, the Yukon, New Brunswick, Quebec and Jalisco, Mexico, in mid-June, during a period of extensive wildfire activity in Alberta.

To reduce forest susceptibility to wildfire and disease, Sustainable Resource Development completed approximately 9,900 hectares of prescribed burns. These are fires that are deliberately set and controlled in specific places to accomplish planned and well-defined resource management objectives. These fires are applied under select weather conditions and managed to minimize the smoke emissions and maximize benefits to the site.

Fire prevention work also reduces the wildfire threat in communities, and the FireSmart Program, which educates municipalities and Albertans on wildfire prevention, continued in 2009-10 for this purpose. The FireSmart Community Grant Program awarded nine grants totalling $269,500 to communities for projects that help prevent wildfire.

A new community wildfire protection planning standard: the *FireSmart Guidebook for Community Protection* was also developed. The guidebook was built around a risk-management framework that includes mitigation of, preparedness for, response to and recovery from wildfire. Under the new planning standard, six community wildfire protection plans were developed. Documents were also developed to improve wildfire response and suppression capability in 26 communities in Alberta's Forest Protection Area. Three other community wildfire protection plans were also reviewed and amended using the new planning standard.

Nine projects to manage vegetation that could create a fire hazard also took place as identified by their FireSmart community plans. The Wildland Urban Interface Vegetation Management Standard Operating Procedure was developed to clearly define the ministry's role when undertaking vegetation management activities on Crown land and municipal land inside a local government's municipal boundary.

The ministry measures its success in managing wildfires in the province by determining the percentage of fires contained within the first burning period (by 10 a.m. the day following detection). Experience has shown that the most successful way to fight wildfires is to respond quickly before they have a chance to spread in the heat of the day. In 2009-10, Sustainable Resource Development contained 98 per cent of Alberta's wildfires within the first burning period. This result surpasses the target of 96 per cent (the rolling average of the past five year's results), indicating that the ministry is very successful in managing wildfires in Alberta.

Forest Industry Sustainability: At least 50 Alberta communities look to the province's forest industry for their livelihoods. Research shows that Alberta's forest industry generates more than $9 billion per year in revenues and supports 38,000 jobs. As a result, one of the ministry's biggest priorities in 2009-10 was to strengthen the competitiveness of the forestry sector. The aim was to work with industry to identify options to improve the sector's long-term viability by ensuring healthy working forests.

The ministry's response to the Forest Industry Sustainability Committee's final report set the stage for this work. On May 7, 2009, the government accepted 43 of the 49 report recommendations to help sustain Alberta's forest industry, its communities, and the people who rely on forestry for their livelihoods. Work continued on a number of these recommendations and cross-ministry collaborations have been essential to addressing some of them. These initiatives included:

- collaborating with the Ministry of Transportation and resource industries on targeted road improvements for rural communities. Truck routes designated for Super King B vehicles (trucks that can handle larger loads) were established on a number of primary and secondary highways
- working with the Ministry of Energy and the federal government to allow Alberta's forest industry access to funding for green energy and transportation fuel initiatives to meet Alberta's greenhouse gas emission reductions and diversify from traditional commodity forest products through the Bioenergy Producer Credit Program
- collaborating with the Ministry of Employment and Immigration to implement the Forestry Sector Workforce Strategy, which aims to ensure Alberta has better trained workers, more workers and innovative workplaces. In its second year of operation in 2009-10, the strategy helped forest workers and their communities with the Community Development Trust initiative. Approximately $3.5 million dollars funded 15 initiatives to train forestry workers and keep them employed

Forest Industry Innovation: Increasing innovation in the forest industry and enhancing value-added activity have also been part of the ministry's efforts to sustain Alberta's forestry business. The Alberta Bio-Materials Development Centre was established through work with the ministries of Advanced Education and Technology, and Agriculture and Rural Development. Sustainable Resource Development continued to manage the Energy ministry's grant implementation for the Bioenergy Grant Program. Over $50 million was provided for 20 forest industry bioenergy grants through this program. Bioenergy and biofuel projects are rapidly being developed through partnerships or integration with forest industries.

Forest Improvement: Modern scientific techniques are used to make sure Alberta's forests are healthy and able to withstand pests and diseases. Genetics and tree improvement activities ensure that planted trees are adapted to their environment, the regenerating forest is resilient to changes and disturbances, and tree growth rates can be increased in a sustainable manner. The development and province-wide implementation of alternative regeneration standards commenced in 2009-10 to help improve Alberta trees. The standards link specific forest management agreements with future forest assumptions for timber yield and forest type. Work on the standards is expected to finish early in 2010-11.

Other Operational Highlights

- Recertified the ministry's Forest Operations Monitoring Program (FOMP) in February 2010, as compliant with the International Organization for Standardization (ISO) 9001 standards. FOMP ensures industry is complying with government standards for forestry operations. Alberta is the only province to have such a monitoring program accredited under ISO 9001 standards.

- Signed a memorandum of understanding to establish the Western Centre for Wildland Fire Science. The centre is an innovative collaboration among Sustainable Resource Development, the University of Alberta and the Canadian Forest Service to address priority research needs by creating a fire science hub.
- Installed a camera at the Chisholm fire lookout. The project is a partnership between Sustainable Resource Development, Canadian National Railways, and FPInnovations. When used in combination with lookout observers, the camera gives operators the ability to view and record areas that are not directly visible, but still within their areas of responsibility.
- Hired six Junior Forest Ranger crews and seven Aboriginal Junior Forest Ranger crews comprising 98 participants and 26 supervisors. These programs provide summer work experience and educational opportunities in natural resource management for youth (aged 16 to 18).
- Developed an *Aboriginal Fire Prevention Colouring Book* with several fire prevention partners. This book is targeted to children between three and 12 years of age to educate them about fire prevention.

Key Statistics

Wildfires from April 1 to October 31, 2009 (fire season)	1,633
Area burned by wildfires	65,000 hectares
Area with prescribed burns	9,900 hectares
Amount committed to mountain pine beetle management	$32.3 million
Number of sites surveyed for mountain pine beetle	13,000+
Reforestation information for period May 1, 2008 to April 30, 2009	
Total area reforested	67,777 hectares
Area reforested by planting seedlings	79%
Pine	52%
Spruce	48%
Other*	Less than 1%
Number of seedlings planted	76,720,306
Area left for nature to reforest	20%
Area replanted with seeds	Less than 1%

*Other means true firs, Douglas firs, tamarack larch, white birch, balsam poplar and trembling aspen

Core Business Three: Fish and Wildlife

In 2009-10, 12 per cent of the ministry's operating expenses related to delivering the fish and wildlife core business. This core business focuses on managing fish and wildlife species based on the best available science and integrated decision-making processes to support healthy, diverse fish and wildlife populations. The sound stewardship of fish and wildlife resources facilitates species conservation, fishing and hunting and other recreation opportunities. These recreation opportunities contribute to the provincial economy and enhance the quality of life for Albertans.

Fish and Wildlife's related actual expense of $60.5 million in 2009-10 was $1.5 million less than the budgeted amount of $62 million. However, current year expenses of $60.5 million were $3.7 million or 6 per cent less than the previous year's $64.2 million. This reduction in expenses was the result of savings in staffing and streamlining of wildlife management operations.

GOAL 4:

Alberta's fish and wildlife resources and their habitats are healthy, productive and sustainable

Results:

Alberta's Land-use Framework calls for a natural resource management system that maintains the province's variety of species, habitat and ecosystems, while supporting the economy and providing ample recreation and cultural opportunities. Land managers and fish and wildlife managers continue to work together to establish guidelines for industry operators from the agriculture, energy, forestry and tourism sectors to increase Alberta's economic competitiveness while safeguarding living species.

Improving Fish and Wildlife Information: Good land-use decisions require accurate, timely and accessible information. The Alberta government continues to support the Alberta Biodiversity Monitoring Institute (ABMI) — contributing $3.2 million in 2009-10. The institute provides a consistent, province-wide monitoring program that reports on species, habitat and human activity in various regions of the province such as the oil sands region, land-use regions and forest management agreement areas (FMA). In the first two regional plans being developed under the Land-use Framework, information from the ABMI was used extensively in selecting indicators and establishing targets and thresholds for these indicators.

In December 2009, the ABMI released a report on the status of biodiversity in Alberta-Pacific Forest Industries' FMA, which covers nine per cent of Alberta's land base (i.e., 57,331 km^2). This region is the same size as Nova Scotia and is two times the size of Vancouver Island. The report states that approximately seven per cent of the FMA landscape has been altered by human activities including agriculture, energy and forest operations. It also indicates the region's species are 96 per cent intact and the region's habitats are 97 per cent intact.

Biodiversity Action Plan: To further enhance biodiversity management and stewardship, a draft Biodiversity Action Plan that provides a unifying framework and coordinated set of strategic actions for government was finalized in 2009. To implement the action plan, key actions are being undertaken to address an ecosystem-level assessment of biodiversity, invasive species and species at risk. To raise public awareness of the fight against invasive species, the ministry placed a full-page notice in the 2010 *Alberta Guide to Sportfishing Regulations* on how to stop the spread of invaders such as purple loosestrife.

Managing Threats to Species: Species at risk are the most vulnerable components of Alberta's biodiversity. Through the dedicated efforts of multi-stakeholder recovery teams, Alberta has an excellent track record in species recovery. In the past year, recovery teams for whitebark and limber pine were assembled and stakeholders were invited to participate in the recovery team for Athabasca rainbow trout.

Caribou conservation efforts in Alberta are guided by the Woodland Caribou Recovery Plan and the multi-stakeholder Alberta Caribou Committee. Alberta also works with the Northwest Territories, British Columbia and Saskatchewan to manage populations that overlap borders. Industry operating in caribou range are required to submit caribou protection plans and use best practices and integrated land management to reduce industrial disturbance of the landscape. For example, exploration work must be finished before April to reduce the impact on calving, seismic exploration lines are one-quarter narrower than 20 years ago, and companies can use directional drilling to access multiple well sites from a single well pad. Other agencies operating in caribou range also take steps to assist in caribou recovery. During the 2010 spring-summer calving season (March 1 to July 15), the twinning of highway 63 was halted in the Caribou Protection Zone.

The Alberta government is committed to keeping grizzly bears as a key part of our provincial biodiversity. A status report on Alberta's grizzly bear population and habitat, prepared by an independent scientist, was released in March 2010. The status report establishes a new baseline of information using DNA surveys and other data. The report estimates that there are 691 grizzly bears in Alberta ranging in density from five to 18 bears per 1,000 square kilometres. The ministry will continue to deliver grizzly bear management programs in Alberta to reduce human-bear conflict and achieve population stabilization and growth. These actions include:

- minimizing bear-human conflicts through education (primarily implementing the BearSmart program)
- timely and effective response to bear-human conflicts (e.g., bear aversion with Karelian bear dogs, relocation, and euthanasia when necessary)
- intercept feeding programs to reduce bear predation on livestock and compensation for livestock loss when required
- research and monitoring targeted at assessing populations and improving the effectiveness of management activities
- habitat mapping and progress towards access management
- data management to improve all aspects of grizzly bear management, and to support research and public information
- inter-jurisdictional cooperation

Working with Partners: MULTISAR, a voluntary program in which multiple agencies work on conserving multiple species at risk, is another example of the necessary collaboration in sharing responsibility of conservation and stewardship. MULTISAR groups are working on habitat conservation strategies, species at risk conservation plans, and the implementation of beneficial management practices. In the past year, conservation plans were completed for 10 landowners.

Species at Risk in Alberta

Endangered Species*	Threatened Species*	Species of Special Concern*
1. Swift fox	1. Woodland caribou	1. Sprague's pipit
2. Bison	2. Barren ground caribou	2. Long-toed salamander
3. Whooping crane	3. Northern leopard frog	3. Loggerhead shrike
4. Greater sage grouse	4. Trumpeter swan	4. Long-billed curlew
5. Piping plover	5. Peregrine falcon	5. Black-throated green warbler
6. Ord's kangaroo rat	6. Small-flowered sand-verbena	6. Harlequin duck
7. Burrowing owl	7. Lake sturgeon	7. Bull trout
8. Ferruginous hawk	8. Shortjaw cisco	8. White-winged scoter
9. Mountain plover	9. St. Mary sculpin	9. Prairie falcon
10. Short-horned lizard	10. Western silvery minnow	10. Barred owl
11. Tiny cryptanthe	11. Stonecat	11. Western blue flag
12. Soapweed	12. Westslope cutthroat trout	12. Arctic grayling
13. Western spiderwort		13. Weidemeyer's admiral
14. Porsild's bryum		14. Western grebe
15. Whitebark pine		15. Western small-footed bat
16. Limber pine		

*Species in these groupings are in some danger of disappearing from Alberta. Endangered and threatened are legislated categories under Alberta's Wildlife Regulation.

Sometimes species need to be controlled and managed because of disease. Hunting seasons were extended to reduce the spread of chronic wasting disease (CWD) in deer close to the Alberta-Saskatchewan border where CWD has been found. From September 2009 to March 2010, the ministry tested 4,816 heads of deer killed mostly by hunters. Thirteen new cases of CWD were detected, including new cases further west of the Saskatchewan border. Hunters who have harvested a CWD-positive animal receive a phone call from ministry staff. Individual hunters are notified of negative results through the licensing website and by letters sent in the mail.

The ministry measures its performance in sustaining healthy species using the percentage of species considered to be at risk. This result is reported every five years in a national survey, and the last information available is from 2005. The 2010 results will not be available in time for publication of this report. In 2005, 2.2 per cent of Alberta's species were found to be at risk. This is below five per cent, the maximum amount allowed under the current target. The variance between the result and target show that wildlife management programs offered through Sustainable Resource Development help maintain the percentage of species at risk at low levels.

Managing Threats to Humans and Property: Public safety and protection of property continue to be priorities for the ministry. In 2009-10, Sustainable Resource Development responded to 10,242 concerns regarding problem wildlife including physical encounters with a coyote, a wolverine, a deer, two black bear, a grizzly bear and a cougar (unsubstantiated) — thankfully none of these was fatal. Some of the calls came from hikers who encountered dangerous animals, farmers and ranchers who lost crops or livestock, or urban dwellers who sighted problem wildlife near their homes. Efforts to reduce the negative impacts of these interactions concentrate on education, prevention, mitigation (e.g., fencing to protect stacked livestock feed), and compensation.

The goal of the Alberta BearSmart Program is to assist people and communities in adopting conservation and safety practices which protect both the public and bears. BearSmart programs have been designed specifically for hunters, residents, those enjoying the outdoors, farmers, ranchers and beekeepers. In 2009-10, progress was made in developing an industrial BearSmart Program to provide guidance for actions around industrial operations, including camps, to improve worker safety. The ministry also worked with a number of communities including Grande Cache, Fort McMurray, Cadomin, Hinton, Slave Lake, Nordegg, Bragg Creek and Mountain View County to advance their progress towards becoming BearSmart communities.

Municipalities can take specific actions to manage garbage, landfills and green spaces to minimize problem wildlife issues. In the past year, the ministry identified landfills with unacceptable attractants for wildlife and made changes to black bear management practices at landfills. The ministry works with agricultural producers to reduce the incidents of damage to crops and feed (primarily baled hay) by providing producers with temporary and permanent fencing supplies, scare devices (e.g., cannons), wildlife deterrents (e.g., pepper-based products) and alternative food sources for wildlife. Because of the mild conditions and reduced snow cover in the winter of 2009-10, loss of hay to wildlife was less than the previous year.

Albertans find abundant ways to enjoy nature and the outdoors — hunting, fishing, exploring natural areas, viewing wildlife, camping and taking pictures. Often families enjoy these activities together, which helps foster a new generation of environmental stewards. This was the aim of Alberta's first Waterfowler Heritage Days, which were held in September 2009, to provide an opportunity for youth to learn about hunting from experienced hunters and discuss ethics and responsible hunting practices. The past year has seen increasing participation in hunting and fishing, particularly among youth (112,672 hunters with 7,065 being youth — up more than 250 young people; 273,220 anglers — 25,000 more than the previous year). Internet transactions related to selling hunting and fishing licences also continue to increase — up 17 per cent in the past year. Youth also participated in the My Wild Alberta online fish quiz to win a free special walleye licence.

Additional hunting opportunities were provided and a number of special licences were offered in areas of wildlife over-population or to reduce the risk of disease spread. Deer hunting seasons were extended from 30 to 50 days (depending on the area) and a new special licence for antlerless elk was introduced.

While many recreational activities occur on public land, private land also presents significant recreational opportunities for Albertans. On October 9, 2009, the Recreational Access Management Program (RAMP) was officially launched. This pilot program aims to address

access management issues, support wildlife habitat stewardship, increase recreational opportunities on private land, and compensate Alberta landowners for retaining wildlife habitat and the impact associated with providing public access for hunting and fishing.

Twenty-nine properties in southwest Alberta along the Montana border including about 53,000 hectares were enrolled in the program for the fall 2009 hunting season. Hunting season ended on February 28, 2010, with more than 1,600 individual users recording 4,240 user days on RAMP properties.

Water for Life Initiative: Stewardship of Alberta's aquatic ecosystems is important for healthy fish populations, so the ministry continues to implement key actions of Alberta's Water for Life Action Plan including sustaining and protecting the province's aquatic ecosystems and opening the Bow Habitat Station. The ministry co-led the multi-stakeholder Provincial Ecological Aquatic Criteria for Health project team established in 2009. In January 2010, this team released a report outlining seven ecological criteria to identify areas significant to maintaining aquatic ecosystem health.

The Bow Habitat Station in Calgary officially opened on October 2, 2009, to inform school students and the public about the relationships between water, fish and fish habitat. The facility includes the Sam Livingston Fish Hatchery, the Pearce Estate Park Interpretive Wetland and new exhibits. The complex provides hands-on learning activities, interactive displays, and engaging programming that aligns with the Alberta Education science curriculum. From October 2009 to March 2010, over 900 people visited the station for educational classes, public tours and general admission.

Other Operational Highlights:

- Increased compensation paid to producers for livestock killed or injured by predators. In 2009-10, the ministry investigated 407 complaints of large predators (including eagles) killing or injuring livestock and processed 199 claims for compensation.
- Launched new ministry website on October 21, 2009, which includes a new navigation system, new graphics, new three-dimensional species images and a new Google interactive maps system, as well as updated website content.
- Held a carefully managed hunt of the Hay-Zama bison herd to control population growth. Over 6,000 Albertans applied for the 300 bison hunting licences available (including 200 licences for Aboriginal hunters) and harvested 155 bison with these licences.
- Established a provincial game management advisory group. This group, which will play a similar role to the Fisheries Management Roundtable, will improve consultation with respect to wildlife management.
- Provided new fishing opportunities through expansion of the Special Walleye Licence Program to two lakes near Bonnyville. New or improved fishing opportunities were also provided at Pine Coulee Reservoir, Sparrow's Egg Lake, Carseland Irrigation Canal and Winefred Lake.
- Operated the fish and wildlife forensic unit, which is the only laboratory in Canada dedicated to fish and wildlife-related crime. New technology was implemented to streamline the delivery of DNA test results to improve efficiency and keep current with technological advances in forensic testing. In the past year, the unit processed samples for 43 court cases in Alberta and 19 court cases in British Columbia, Saskatchewan and the Yukon.

- New legislative amendments to the *Fisheries (Alberta) Act* added several sentencing options to deter actions that damage the province's fisheries. There are now a wider variety of sentencing options (creative sentencing) and greater fines and suspensions to protect our fisheries.

Key Statistics	
Sportfishing Licences Sold (# of anglers)	273,220
Wildlife Certificates (# of hunters)	105,607
Youth Certificates (# of hunters 12-17)	7,065
Hunting Licences Sold	302,218
Visits to My Wild Alberta Website	331,811
Trout Stocking	3.2 million young trout into 259 bodies of water
Walleye Stocking	52 million young walleye into Lac La Biche
Enforcement - Checks	76,812 (resulting in 6,330 enforcement actions)
Enforcement - Complaints	4,055 (resulting in 1,456 enforcement actions)
Problem Wildlife Incidents	10,242

Core Business Four: Quasi-judicial Land-use and Compensation Decisions

In 2009-10, two per cent of the ministry's operating expenses related to supporting its quasi-judicial processes. This core business is focused on the ministry's three quasi-judicial boards that make their decisions independently, in accordance with their own governing legislation. The Natural Resources Conservation Board (NRCB) conducts independent public reviews of major, non-energy, natural resource projects and is an appeal panel for NRCB regulatory decisions made by its operational divisions under the *Agricultural Operation Practices Act* (AOPA). The NRCB's operational divisions regulate Alberta's confined feeding operations. The Surface Rights Board conducts hearings when operators and landowners or occupants fail to agree on entry or compensation related to resource activity on privately owned lands or occupied public lands. The Land Compensation Board establishes compensation when private land is expropriated by a public authority for projects in the public interest.

The 2009-10 expenses supporting Quasi-Judicial Land-use and Compensation Decisions were $9.8 million, which was underspent by $0.5 million or 5 per cent compared to the budgeted amount of $10.3 million. Due to a $0.2 million decrease in costs by the Natural Resources Conservation Board and a $0.3 million decrease in Surface Rights Board and Land Compensation Board expenses, the boards were able to maintain spending below the 2009-10 budget and the 2008-09 actual expenses.

GOAL 5:

Natural Resources Conservation Board reviews and hearings result in balanced decisions and are conducted in a manner that is effective, fair and transparent

Results:

Working with Partners: During 2009-10, the NRCB coordinated and worked closely with the following government partners:

- ***Environment Ministry:*** collaborated on environmental impact assessment reviews and supplemental information requests required for reviews under the *Natural Resources Conservation Board Act* (NRCBA). These steps ensure that applications under the NRCBA are technically complete before the public review process begins
- ***Energy Resources Conservation Board (ERCB):*** maintained the shared services agreement and the cross-appointment of board members as acting board members of ERCB
- ***Land-use Framework Cross-Ministry Working Group:*** provided regulatory expertise to the review of Land-use Framework documents and project charters. Support was also provided to the government's Water for Life initiative as required
- ***Ministry of Agriculture and Rural Development and the confined feeding industry:*** implemented the Technical Advisory Group (TAG). The group's mandate is to identify and develop guidelines to assist in the delivery of AOPA and clarify its requirements. TAG members have identified and prioritized guidelines for development and begun work on: decommissioning earthen manure storage lagoons; monitoring well installation, development and abandonment; geotechnical assessment of earthen liners and protective layers; concrete standards; and deemed capacity and seasonal feeding and bedding sites versus confined feeding operations

Public Education: As part of its regular process under the NRCBA, the board provided hearing participants with the opportunity to attend information sessions on hearing procedures to support effective participation. Participants were also encouraged to contact board staff for answers to process-related questions. The board also ensured up-to-date guides and fact sheets were available from its office and on the NRCB website, including review information and decisions on intervener funding.

Fair, Effective and Efficient Hearings: Details of the NRCB's 2009-10 public hearings and reviews are as follows:

- Under the NRCBA, the board held a public hearing from April 14 to 17, 2009, for the proposed Alberta Sulphur Terminals project. The hearing was attended by local government representatives and community members. The board panel determined that the project was in the public interest and not likely to result in significant adverse environmental and social effects

- The board also issued a public notice on December 14, 2009, inviting input on the Hammerstone application to construct a limestone quarry north of Fort McMurray
- Under AOPA, the board conducted a public review of an approval officer decision that denied an existing dairy operation's application to expand based on the land-use provisions in the municipal development plan. The board determined that the expansion was consistent with the municipality's development plan and its inter-municipal development plan, and directed the officer to issue the permit to Rosehill Farms

In 2009-10, the NRCB fully implemented its leak detection program to verify groundwater monitoring requirements at confined feeding operations. In total, 275 operations were identified for the program, some with more than one facility that required screening. Results indicate that the majority of confined feeding operations identified for the program do not need to continue groundwater monitoring at the level required by their permits. As a result, the NRCB is amending monitoring conditions on permits to reflect the actual risk to groundwater at each site. The NRCB expects to complete the amendments by fall 2010.

Another program the NRCB is using to identify environmental risk in confined feeding operations is the risk-based compliance program that was developed in consultation with its Policy Advisory Group and stakeholders. This program was field-tested in southern Alberta in late 2009, with good results. The board also updated its compliance and enforcement policy to incorporate the risk-based compliance program.

The program and updated policy:

- incorporate a risk-based approach to the NRCB's compliance policy
- use a science-based approach to determine environmental risk at confined feeding operations
- respond to public, industry and government expectations for groundwater protection

Full implementation of the program is scheduled for spring and summer 2010.

The board measures its process efficiency by ensuring its hearings are completed within legislated timeframes. The board completed two reviews of major projects in 2009-10, both within 80 working days of review conclusion, so the result is 100 per cent and meets the target of 100 per cent. The board also completed one review of an approval officer decision regarding confined feeding operations. This decision was completed within 30 working days of the decision under the *Agricultural Operation Practices Act*, so the result was also 100 per cent meeting the ministry's target. This performance measure is new for the ministry, which previously only reported board performance on conducting reviews of major projects. Now board reviews of approval officer decisions regarding confined feeding operations are also included.

Key Statistics	
AOPA applications received	
Approvals	68
Registrations	18
Authorizations	34
AOPA permits issued	
Approvals	51
Registrations	9
Authorizations	22
Enforcement orders issued	1
Requests for board review of approval officer decisions under AOPA	1
Board reviews completed (Alberta Sulphur Terminals and one appeal of approval officer decision)	2

GOAL 6:

Albertans are provided with accessible processes and timely and fair compensation decisions when private land is expropriated or developed for natural resources

Results:

Alternative Dispute Resolution: The proclamation of the *Surface Rights Amendment Act* on December 9, 2009, paved the way for the Surface Rights Board to substantially increase production and service without increasing costs. In 2009-10, the Surface Rights Board implemented a pre-hearing dispute resolution program enabled by the new legislation. Not only did the board resolve 94 per cent of disputes without a formal hearing through this mandatory program, it also saved both landowners and operators money and time by discussing and resolving their conflicts with a board member trained in mediation. Dispute resolution conferences act as the first step in the case management process (unless the parties request that their matter go directly to mediation) and are a venue to discuss the issues, evidence, likelihood of resolution, and next steps. The Land Compensation Board (LCB) also introduced pre-hearing dispute resolution to its case management process in 2009-10.

More Timely Hearings: Feedback from both landowners and operators shows strong support for the highly successful discussion-based process, which has also resulted in significant dollar savings for Albertans. Implementing these improvements to service has not cost more money, because the results were achieved using existing resources. Considering that the number of applications filed with the Surface Rights Board has increased from 240 in 1999, to 977 in 2009, but staffing and budget have not increased during the same time period, the board has achieved

success in dealing with increasing demand for service. The board is also providing better service now. It can often resolve applications within four months of filing, compared with the two-year wait experienced before 2006.

The Surface Rights Board reviews its performance by measuring the number of files heard annually by hearing or mediation (file management) and the number of files resolved annually (file disposition). The board surpassed the target (a five per cent increase) for both measures. It achieved a 44 per cent increase in the number of files heard over the previous year's result. It also realized a 254 per cent increase in the number of files resolved over the previous year's result. In 2009, the Surface Rights Board heard 577 matters by hearing or mediation compared to 403 in 2008, and resolved 916 cases in 2009, compared to 259 in 2008.

The large increase in the number of files heard and resolved in 2009 indicates how well the board is managing new applications and addressing its backlog. It is unlikely that the board will be able to sustain such significant growth in the number of files heard and resolved beyond 2010-11 because all possible process efficiencies will soon have been achieved. Work is underway to revise measure targets to a reasonable expectation of annual workload considering improved board processes adopted in the last few years.

Key Statistics (for the 2009 Calendar Year)

Surface Rights Board Applications	
Total Applications Received	1,045
Right of Entry	242
Compensation Reviews	351
Damage Disputes	41
Recovery of Rental	360
Board Reviews	51
Applications Resolved	916
Land Compensation Board Applications	
Applications for Determination of Compensation	16
Notices of Motion	5
Other (Costs)	2
Total	23
LCB Hearings, Dispute Resolution Conferences and Mediations	
Hearings	11
Dispute Resolution Conferences	7
Mediations	0
Total	18

Expense by Function

Ministry of Sustainable Resource Development for the Year Ended March 31, 2010 (in millions)

	2009-10		2008-09
	Budget	**Actual**	**Actual**
Agriculture, Resource Management, and Economic Development	$ 214.5	$ 239.8	$ 249.3
Protection of Persons and Property	112.8	232.6	226.4
Environment	16.5	13.1	9.5
Total	$ 343.8	$ 485.5	$ 485.2

The expense by function amounts do not include budget and actual amounts associated with the Environment Statutory Programs reported in the Ministry of Sustainable Resource Development audited financial statements. Although 62.4 per cent of the budget was allocated to the Agriculture, Resource Management, and Economic Development function, the fire season caused 47.9 per cent of actual gross expenses to be incurred in the Protection of Persons and Property function.

Financial Information

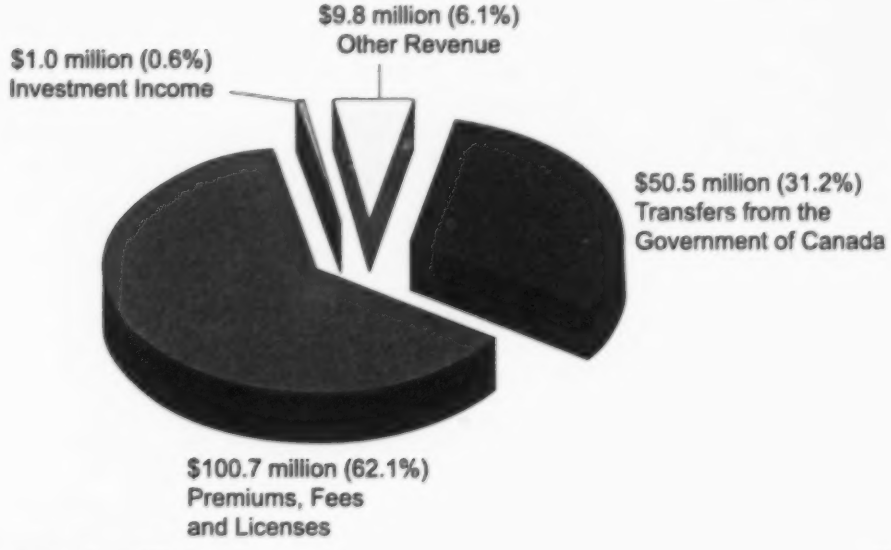
Financial Overview

Revenues

(in thousands)	2009-10	2008-09
Transfers from Government of Canada	$ 50,504	$ 39,505
Investment Income	974	4,162
Premiums, Fees and Licences	100,705	111,295
Other Revenue	9,831	7,131
Total	$ 162,014	$ 162,093

The decline in revenue by $0.1 million or 0.1 per cent was primarily due to an increase in revenue from the Government of Canada in the amount of $10.0 million and an offsetting decline in Premiums, Fees and Licences.

- The revenue from the Government of Canada was increased as a result of additional funding in support of the Mountain Pine Beetle program.
- The reduction in revenue for premiums, fees and licences is as a result of the change in accounting policy from cash to an accrual basis. The change in accounting policy also resulted in an increase of $24.9 million in net assets.



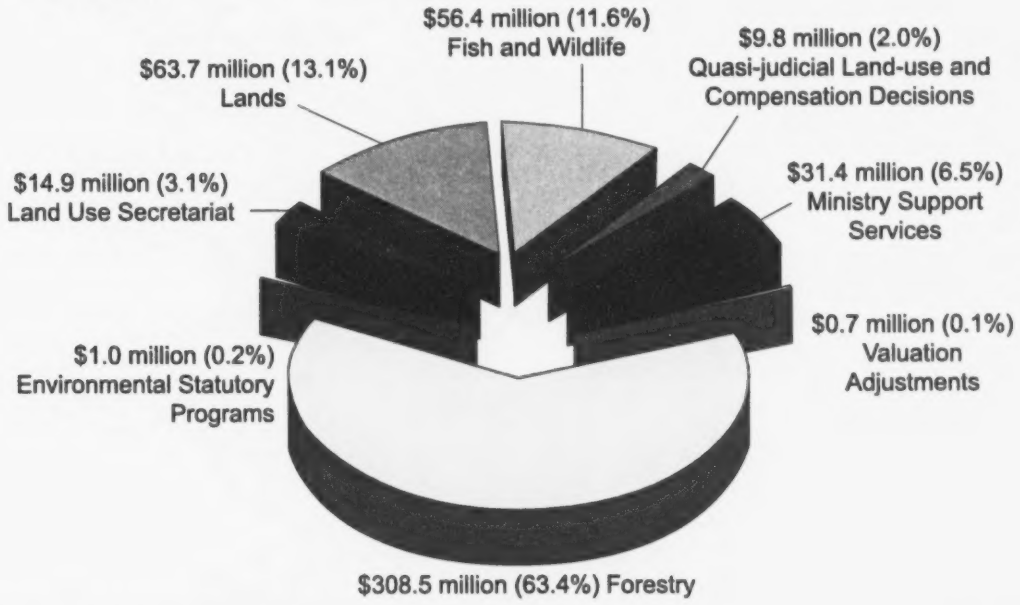
Total Revenue (in millions) **$162.0**

Voted and Statutory Expenses

(in thousands)	2009-10	2008-09
Forestry	$ 308,516	$ 317,807
Land Use Secretariat	14,921	7,005
Lands	63,655	54,892
Fish and Wildlife	56,438	59,436
Quasi-judicial Land-use and Compensation Decisions	9,849	10,295
Ministry Support Services	31,416	34,025
Environmental Statutory Programs	901	1,608
Valuation Adjustments	667	1,702
Total	$ 486,363	$ 486,770

There was little change in total expenses between 2010 and 2009.

- The decrease in Forestry was due to a decline in mountain pine beetle activities and a more competitive market resulting in lower costs from renegotiated contracts for air and land fire support.
- There was a substantial increase in the Land Use Secretariat and this was a result of the division being fully operational.
- The increase in Lands was primarily due to an increase in nominal sum disposals.
- The decrease in Fish and Wildlife expenses was primarily due to reduced high risk concerns with wildlife.



Total Voted and Statutory Expenses (in millions) **$486.4**

AUDITOR GENERAL
Alberta

Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statements of financial position of the Ministry of Sustainable Resource Development as at March 31, 2010 and 2009 and the consolidated statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
June 10, 2010

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended March 31

(in thousands)

	2010 Budget	2010 Actual	2009 Actual (Note 11)
Revenues (Note 2b)			
Transfers from Government of Canada	$ 43,089	$ 50,504	$ 39,505
Investment Income	5,685	974	4,162
Premiums, Fees and Licences	112,627	100,705	111,295
Other Revenue	3,981	9,831	7,131
	165,382	162,014	162,093
Expenses – Directly Incurred (Note 2b and Schedule 3)			
Voted			
Forestry	162,580	308,516	317,807
Land Use Secretariat	15,000	14,921	7,005
Lands	64,736	63,655	54,892
Fish and Wildlife	55,289	56,438	59,436
Quasi-judicial Land Use and Compensation Decisions	10,267	9,849	10,295
Ministry Support Services	34,868	31,416	34,025
Environment Statutory Programs	2,675	901	1,608
	345,415	485,696	485,068
Statutory			
Valuation Adjustments			
Provision for (Recovery in) Doubtful Accounts	655	(144)	122
Provision for (Decrease in) Vacation Pay	400	811	1,580
	1,055	667	1,702
	346,470	486,363	486,770
Gain (Loss) on Disposal/writedown of Tangible Capital Assets and Nominal Sum Disposals	12,500	10,707	6,747
Gain (Loss) on Sale of Land in Enhanced Land Stewardship	5,000	16,159	-
Dedicated Revenue received from the Government of Canada for purchase of Tangible Capital Assets for Provincial Grazing Reserves	-	2,200	-
	17,500	29,066	6,747
Net Operating Results	$ (163,588)	$ (295,283)	$ (317,930)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31

	(in thousands) 2010	2009
Assets		
Cash and Cash Equivalents (Note 3)	$ 160,272	$ 162,012
Accounts Receivable (Note 4)	45,569	17,739
Inventories	3,876	4,231
Tangible Capital Assets (Note 5)	285,169	272,618
	$ 494,886	$ 456,600
Liabilities		
Accounts Payable and Accrued Liabilities	$ 66,150	$ 61,555
Unearned Revenue	37,826	34,331
	103,976	95,886
Net Assets		
Net Assets at Beginning of Year	360,714	363,369
Change in Accounting Policy (Note 2c)	24,946	-
Net Operating Results	(295,283)	(317,930)
Net Financing Provided from (for) General Revenues	300,533	315,275
Net Assets at End of Year	390,910	360,714
	$ 494,886	$ 456,600

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended March 31

(in thousands)

	2010	2009
Operating Transactions		
Net Operating Results	$ (295,283)	$ (317,930)
Non-cash items included in Net Operating Results		
Amortization	8,377	7,976
Write-down of Tangible Capital Assets	-	357
(Gain) Loss on Disposal of Tangible Capital Assets	(10,707)	(7,104)
(Gain) Loss on Disposal of Land in Enhanced Land Stewardship	(16,159)	-
Nominal Sum Disposals	9,502	1,478
Valuation Adjustments	667	1,702
	(303,603)	(313,521)
(Increase) Decrease in Accounts Receivable	(27,688)	8,407
Decrease (Increase) in Inventories	355	160
Increase (Decrease) in Accounts Payable and Accrued Liabilities	3,785	(4,108)
Increase (Decrease) in Unearned Revenue	3,495	(4,882)
Change in Accounting Policy (Note 2c)	24,946	-
Cash (Applied to) Provided by Operating Transactions	(298,710)	(313,944)
Capital Transactions		
Acquisition of Tangible Capital Assets	(27,897)	(46,567)
Proceeds on Disposal/Sale of Tangible Capital Assets	17,466	5,738
Transfer of Tangible Capital Assets from Other Government Entities	6,868	(1,685)
Cash (Applied to) Provided by Capital Transactions	(3,563)	(42,514)
Financing Transactions		
Net Financing Provided from (for) General Revenues	300,533	315,275
Cash Provided by (Applied to) Financing Transactions	300,533	315,275
(Decrease) Increase in Cash and Cash Equivalents	(1,740)	(41,183)
Cash and Cash Equivalents at Beginning of Year	162,012	203,195
Cash and Cash Equivalents at End of Year	$ 160,272	$ 162,012

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Minister of Sustainable Resource Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which the organizations operate is also listed. Together, these organizations form the Ministry of Sustainable Resource Development (the Ministry).

Organization	Authority
The Department of Sustainable Resource Development	Government Organization Act Boundary Surveys Act Wildlife Act Fisheries (Alberta) Act Forests Act Forest and Prairie Protection Act Forest Reserves Act Mines and Minerals Act Public Lands Act Surveys Act
Environmental Protection and Enhancement Fund	Environmental Protection and Enhancement Act
Natural Resources Conservation Board	Natural Resources Conservation Board Act
Surface Rights Board	Surface Rights Act
Land Compensation Board	Expropriation Act

The goals of the Ministry's core businesses are:

Forestry - The Ministry provides leadership and guidance to ensure the multiple benefits received from the province's forests are realized by using the best possible forest management, wildfire management and forest industry practices.

Land Use Secretariat – The Land Use Secretariat facilitates the development of regional plans that provide a blueprint for land-use management and decision-making that addresses Alberta's growth pressures. Alberta's Land-use Framework provides clear direction for managing land, air, water and biodiversity, and is based on economic, environmental and social outcomes that guide planning, decision-making and management of land and natural resources in regions.

Lands – The Ministry manages the demands of multiple stakeholders using Alberta's public land by integrating planning and management best practices to sustain the benefits Albertans receive from their natural resources and public lands.

Fish and Wildlife – The Ministry manages fish and wildlife species based on the best available science and integrated decision-making processes. The sound stewardship of fish and wildlife resources facilitates consumptive (fishing and hunting) and non-consumptive recreation opportunities compatible with healthy, diverse fish and wildlife populations.

Quasi-judicial Land-use and Compensation Decisions – Reporting to the Minister of Sustainable Resource Development, the Ministry's three quasi-judicial boards make their decisions independently, in accordance with their own governing legislation. The **Natural Resources Conservation Board** conducts independent public reviews of projects that may affect natural resources of Alberta and also regulates new or expanding confined feeding operations. The **Surface Rights Board** conducts hearings when operators and landowners or occupants fail to agree on entry or compensation related to resource activity on privately owned lands or occupied public lands. The **Land Compensation Board** establishes compensation when private land is expropriated by a public authority for projects in the public interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the Ministry.

(a) Reporting Entity

The reporting entity is the Ministry of Sustainable Resource Development, for which the Minister of Sustainable Resource Development is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

These financial statements include activities of the Department of Sustainable Resource Development, the Environmental Protection and Enhancement Fund, and the Natural Resources Conservation Board. The financial statements of the Department of Sustainable Resource Development includes the activities of the Surface Rights and the Land Compensation Boards.

All ministries of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of ministries are deposited into the Fund and all cash disbursements made by ministries are paid from the Fund. Net Financing Provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

Revenues are reported on an accrual basis. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

The Ministry outsourced the sale of recreational hunting and fishing licences through the Recreational Licencing Management (RELM) system to IBM. Under the agreement, IBM has full responsibility for the service and it is responsible for all costs associated with it. IBM receives a transaction fee for each licence sold with the balance of the revenue being forwarded to the Ministry or to a Delegated Authorized Organization. The Ministry reports revenue in Premiums, Fees and Licences on the Consolidated Statements of Operations net of IBM transaction fees of $6.3 million.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return.

Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Credit or Recovery

Credit or recovery initiatives provide a basis for authorizing spending. Credit or recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credits or recoveries exceed budget, the Ministry may, with the approval of the Treasury Board, use the excess to fund additional expenses of the program.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which are the cost of the employer contributions during the year; and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 2 and allocated to programs in Schedule 3.

Assets

Financial Assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values for these physical assets less any nominal proceeds are recorded as grants-in-kind.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to remediate contaminated sites. When the Ministry has incurred such liabilities, a liability is accrued based on management's best estimates. Where an environmental liability cannot be estimated, the nature of the liability and its potential effect on the Ministry's financial statements is disclosed.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Some revenues are predicated on self-assessment where clients are expected to understand the terms of their lease or permit and comply with them. This could impact the completeness of the revenues from royalties and disturbance fees on large dispositions when clients fail to comply with the lease, permit, or disposition requirements. The Ministry is in the process of enhancing systems and methods to validate amounts reported and ensure completeness of revenues. Regardless of system enhancements, procedures cannot identify all sources of unreported income from self assessed revenues. The Ministry does not estimate the amount of unreported royalties or disposition fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

(c) Change in Accounting Policy

The Ministry changed its accounting policy for revenue recognition for the year ended March 31, 2010 from reporting on a cash basis for Land Disturbance Fees, Sand and Gravel Royalties and Timber Damage Assessments. The Ministry obtained additional information which enabled it to report on an accrual basis beginning in 2010. Prior year revenue has not been restated. The effect of the change reflected in the statements of financial position as at March 31, 2010 is an increase in net assets before operating results of $24.9 million of which $14.3 million had been received by March 31, 2010 and $10.6 million was recorded in Accounts Receivable.

NOTE 3 CASH

(in thousands)

The Consolidated Cash Investment Trust Fund (Fund) is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2010, securities held by the Fund have a time-weighted return of 1% per annum (2009: 3.0% per annum).

	2010	2009
CCITF Cash	$ 149,898	$ 152,545
Cash in Transit	2,110	1,275
Other Cash	8,264	8,192
	$ 160,272	$ 162,012

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 47,138	$ (1,569)	$ 45,569	$ 17,739

Accounts receivable are unsecured and interest bearing at various rates.

NOTE 5 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land(a)	Buildings	Equipment(b)	Computer Hardware and Software	Other(c)	2010 Total	2009 Total
Estimated Useful Life	Indefinite	40 years	3 – 15 years	5 – 10 years	5 – 40 years		
Historical Costs*							
Beginning of year	$ 126,629	$ 46,498	$ 70,623	$ 24,002	$ 119,284	$ 387,036	$ 340,061
Additions	12,009	2,625	4,028	2,413	6,822	27,897	48,252
Disposals, including write-downs	(6,868)	(353)	(68)	(20)	-	(7,309)	(1,277)
	$ 131,770	$ 48,770	$ 74,583	$ 26,395	$ 126,106	$ 407,624	$ 387,036
Accumulated Amortization							
Beginning of year	$ -	$ 16,531	$ 18,236	$ 14,298	$ 65,353	$ 114,418	$ 107,250
Amortization expense	-	976	3,712	1,158	2,531	8,377	7,976
Effect of disposals	-	(252)	(68)	(20)	-	(340)	(808)
	$ -	$ 17,255	$ 21,880	$ 15,436	$ 67,884	$ 122,455	$ 114,418
Net Book Value at March 31, 2010	$ 131,770	$ 31,515	$ 52,703	$ 10,959	$ 58,222	**$ 285,169**	
Net Book Value at March 31, 2009	$ 126,629	$ 29,967	$ 52,387	$ 9,704	$ 53,931		$ 272,618

(a) Land includes land acquired for building sites, infrastructure and other program use.

(b) Equipment includes office, laboratory, heavy mobile and forest protection equipment, vehicles and furniture.

(c) "Other" consists of land improvements; aircraft and aircraft engines; and highways and roads (consists of original pavement, roadbed, drainage works and traffic control devices).

**Historical costs include work-in-progress at March 31, 2010 totalling $13,342 comprised of: equipment $3,334 (2009 - $8,590); computer hardware and software $2,118 (2009 - $1,752); and other $7,890 (2009 - $32,496).*

NOTE 6 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2010	2009
Service contracts	$ 97,651	$ 82,305
Long-term leases	293	1,288
Grants	1,050	14,507
	$ 98,994	$ 98,100

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Long-Term Leases	Grants	Total
2010-11	$ 44,583	$ 267	$ 350	$ 45,200
2011-12	23,383	23	350	23,756
2012-13	22,308	3	350	22,661
2013-14	4,175	-	-	4,175
2014-15	1,444	-	-	1,444
Thereafter	1,758	-	-	1,758
	$ 97,651	$ 293	$ 1,050	$ 98,994

NOTE 7 CONTINGENT ASSETS AND LIABILITIES

(in thousands)

At March 31, 2010 the Ministry is a defendant in twenty-one legal claims (2009 – twenty-four legal claims). Fourteen of these claims have specified amounts totalling $1,433,880 and the remaining seven have no specified amounts (2009 – eighteen claims with specified amounts totalling $1,434,142 and six with no specified amounts). Included in the total legal claims are six claims totalling $1,418,032 and four claims with no specified amounts (2009 – seven claims totalling $1,417,780 and four claims with no specified amount) in which the Ministry has been jointly named with other entities. Eight claims totalling $11,219 are covered by the Alberta Risk Management Fund (2009 - nine claims totalling $11,021).

The resulting loss, if any, from these claims cannot be determined.

The Ministry is actively involved in various legal claims to recover amounts spent on fighting wildfires. The outcome of these actions is not determinable at the present time; however, the amounts that may be recovered are potentially significant.

NOTE 8 REVENUES

The Softwood Lumber Agreement, 2006 requires the Minister of Natural Resources of the Government of Canada to collect a softwood lumber export tax on lumber export products to the United States. The export tax levels are based upon the *Random Lengths* Composite Framing Lumber Price Index (CFLPI). Above a CFLPI level of $US355 the export tax rate is 0 per cent. As the CFLPI falls below $US355, this tax rate increases in increments of 5 per cent until the export tax rate reaches 15 per cent. The export tax collected is transferred to the provinces net of the Government of Canada's administration and legal costs. (Note: Not in thousands)

The Ministry received $25.8 million for the nine month period ended December 31, 2009 and has accrued $9.0 million for the three month period ended March 31, 2010. The amount of the transfer received for the three month period will vary from that estimated by the amount of administration and legal costs incurred by the Government of Canada.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

At March 31, 2010 trust funds under administration were as follows:

	2010	2009
Geophysical General Trust	$ 3,322	$ 3,376
Miscellaneous General Trust (Lands)	16,887	14,481
Performance Deposit Trust	1,121	816
Forests Act Securities General Trust	2,338	2,528
	$ 23,668	$ 21,201

In addition to the above trust funds under administration, the Ministry holds bank guarantees in the form of letters of credit and promissory notes as follows:

	2010	2009
Miscellaneous General Trust (Lands)	$ 19,575	$ 19,144
Performance Deposit Trust	4,815	8,085
Forests Act Securities General Trust	2,221	2,692
	$ 26,611	$ 29,921

NOTE 10 BENEFIT PLANS

(in thousands)

The Ministry participates in the multi-employer pension plans Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $12,422 for the year ended March 31, 2010 (2009 – annual contribution of $11,107).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 – deficiency of $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 – deficiency of $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 – deficiency of $7,111).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of $8,335 (2009 – actuarial deficiency of $33,540) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,431 (2009 – actuarial deficiency of $1,051). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 11 COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

NOTE 12 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 1**

SCHEDULES TO FINANCIAL STATEMENTS

Expenses - Directly Incurred Detailed by Object

Year ended March 31

(in thousands)

	2010		2009
	Budget	Actual	Actual
Voted			
Salaries, Wages and Employee Benefits	$ 184,156	$ 187,935	$ 184,126
Supplies and Services	112,481	244,236	267,606
Supplies and Services from Support Service Arrangements with Related Parties (a)	595	547	569
Grants	32,810	41,651	23,383
Financial Transactions and Other	100	120	120
Consumption of Inventory	2,600	2,830	1,288
Amortization of Tangible Capital Assets	12,673	8,377	7,976
	$ 345,415	$ 485,696	$ 485,068
Statutory			
Valuation Adjustments			
Provision for (Recovery of) Doubtful Accounts	$ 655	$ (144)	$ 122
Provision for (Decrease in) Vacation Pay	400	811	1,580
	$ 1,055	$ 667	$ 1,702

(a) The Ministry receives financial and administrative services from the Department of Energy.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 2**

SCHEDULES TO FINANCIAL STATEMENTS

Related Party Transactions

Year ended March 31

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Ministry had the following transactions with related parties recorded on the Consolidated Statements of Operations and the Consolidated Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2010	2009
Revenues		
Fees and Charges	$ 81	$ 54
Net Operating Results	$ 81	$ 54
Expenses – Directly Incurred		
Grants	$ 509	$ 2,155
Other Services	4,481	4,226
	$ 4,990	$ 6,381
Tangible Capital Assets Transferred	$ 6,868	$ 1,685
Receivable From	$ 2	$ -
Payable To	$ 407	$ 2,042

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 3.

	Other Entities	
	2010	2009
Expenses – Incurred by Others		
Accommodation	$ 35,860	$ 25,313
Air Transportation	212	115
Corporate Human Resources	294	-
Legal	1,876	1,816
Administration Costs	9,511	9,471
	$ 47,753	$ 36,715

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 3**

SCHEDULES TO FINANCIAL STATEMENTS

Allocated Costs

Year ended March 31

(in thousands)

	2010								2009
		Expenses – Incurred by Others				Valuation Adjustments			(Note 11)
Program	Expenses (1)	Accommodation Costs	Administration Costs (2)	Air Transportation	Legal Services (3)	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses
Forestry	$ 308,516	$ 12,251	$ 5,945	$ 101	$ 370	$ 310	$ (198)	$ 327,295	$ 333,515
Land Use Secretariat	14,921	106	300	3	-	234	-	15,564	7,399
Lands	63,655	9,192	1,278	15	641	(28)	54	74,807	63,508
Fish and Wildlife	56,438	8,114	1,131	14	717	172	-	66,586	67,008
Quasi-judicial Land-use and Compensation Decisions	9,849	1,795	226	2	-	41	-	11,913	11,882
Ministry Support Services	31,416	4,402	631	77	442	82	-	37,050	38,565
Environment Statutory Programs	901	-	-	-	-	-	-	901	1,608
	$ 485,696	$ 35,860	$ 9,511	$ 212	$ 2,170	$ 811	$ (144)	$ 534,116	$ 523,485

(1) Expenses – Directly Incurred per Consolidated Statements of Operations, excluding valuation adjustments.

(2) Amount includes Corporate Services for $9,371, Corporate Internal Audit Services (CIAS) for $56, and GOA Learning, Corporate Human Resources for $84.

(3) Amount includes Corporate Human Resources for severance packages for $294.

AUDITOR GENERAL
Alberta

Auditor's Report

To the Minister of Sustainable Resource Development

I have audited the statements of financial position of the Department of Sustainable Resource Development as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
June 10, 2010

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENTS OF OPERATIONS

Year ended March 31

(in thousands)

	2010 Budget (Schedule 4)	2010 Actual	2009 Actual (Note 10)
Revenues (Note 2b, Schedules 1 and 2)			
Transfer to Environmental Protection and Enhancement Fund	$ (84,249)	$ (78,441)	$ (84,110)
Remission of Surplus from the Environmental Protection and Enhancement Fund	75,014	66,747	75,500
Transfers from the Government of Canada	43,089	50,504	39,505
Premiums, Fees and Licences	112,627	100,705	111,295
Investment Income	15	40	9
Other Revenue	3,580	8,941	5,477
	150,076	148,496	147,676
Expenses – Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry Support Services	34,868	31,416	34,025
Forestry	150,080	296,016	305,146
Land Use Secretariat	15,000	14,921	7,005
Lands	64,736	63,655	54,892
Fish and Wildlife	55,209	56,358	59,356
Quasi-judicial Land-use and Compensation Decisions	10,223	9,936	10,351
	330,116	472,302	470,775
Statutory (Schedules 3 and 5)			
Valuation Adjustments			
Provision for (Recovery of) Doubtful Accounts	655	(144)	122
Provision for (Decrease of) Vacation Pay	400	811	1,580
	1,055	667	1,702
Total Expenses	331,171	472,969	472,477
Gain (Loss) on Disposal/writedown of Tangible Capital Assets and Nominal Sum Disposals	12,500	10,707	6,747
Gain (Loss) on Sale of Land in Enhanced Land Stewardship	5,000	16,159	-
Dedicated Revenue received from the Government of Canada for purchase of Tangible Capital Assets for Provincial Grazing Reserves	-	2,200	-
	17,500	29,066	6,747
Net Operating Results	$ (163,595)	$ (295,407)	$ (318,054)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT
STATEMENTS OF FINANCIAL POSITION
As at March 31

(in thousands)

	2010	2009 (Note 10)
Assets		
Cash and Cash Equivalents	$ 7,266	$ 6,429
Accounts Receivable (Note 3)	112,311	53,175
Inventories	3,876	4,231
Tangible Capital Assets (Note 4)	285,088	272,507
	$ 408,541	$ 336,342
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	$ 133,510	$ 95,369
Unearned Revenue	36,850	32,864
	170,360	128,233
Net Assets		
Net Assets at Beginning of Year	208,109	210,888
Change in Accounting Policy (Note 2c)	24,946	-
Net Operating Results	(295,407)	(318,054)
Net Financing Provided from (for) General Revenues	300,533	315,275
Net Assets at End of Year	238,181	208,109
	$ 408,541	$ 336,342

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENTS OF CASH FLOWS

Year ended March 31

(in thousands)

	2010	2009 (Note 10)
Operating Transactions		
Net Operating Results	$ (295,407)	$ (318,054)
Non-cash items included in Net Operating Results		
Amortization	8,340	7,935
Write-down of Tangible Capital Assets	-	357
(Gain) Loss on Disposal of Tangible Capital Assets	(10,707)	(7,104)
(Gain) Loss on Disposal of Land in Enhanced Land Stewardship	(16,159)	-
Nominal Sum Disposals	9,502	1,478
Valuation Adjustments	667	1,702
	(303,764)	(313,686)
(Increase) Decrease in Accounts Receivable	(58,992)	56,573
Decrease (Increase) in Inventories	355	160
Increase (Decrease) in Accounts Payable and Accrued Liabilities	37,330	(21,221)
Increase (Decrease) in Unearned Revenue	3,986	(3,731)
Change in Accounting Policy (Note 2c)	24,946	-
Cash (Applied to) Provided by Operating Transactions	(296,139)	(281,905)
Capital Transactions		
Acquisition of Tangible Capital Assets	(27,891)	(46,548)
Proceeds on Disposal/Sale of Tangible Capital Assets	17,466	5,738
Transfer of Tangible Capital Assets from Other Government Entities	6,868	(1,685)
Cash (Applied to) Provided by Capital Transactions	(3,557)	(42,495)
Financing Transactions		
Net Financing Provided from (for) General Revenues	300,533	315,275
Cash Provided by (Applied to) Financing Transactions	300,533	315,275
Increase (Decrease) in Cash and Cash Equivalents	837	(9,125)
Cash and Cash Equivalents at Beginning of Year	6,429	15,554
Cash and Cash Equivalents at End of Year	$ 7,266	$ 6,429

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Department of Sustainable Resource Development (the Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Department also operates under the authority of the following acts:

Organization	Authority
The Department of Sustainable Resource Development	Government Organization Act Boundary Surveys Act Wildlife Act Fisheries (Alberta) Act Forests Act Forest and Prairie Protection Act Forest Reserves Act Mines and Minerals Act Public Lands Act Surveys Act
Surface Rights Board	Surface Rights Act
Land Compensation Board	Expropriation Act

The goals of the Department's Core businesses are:

Forestry - The Department provides leadership and guidance to ensure the multiple benefits received from the province's forests are realized by using the best possible forest management, wildfire management and forest industry practices.

Land Use Secretariat – The Land Use Secretariat facilitates the development of regional plans that provide a blueprint for land-use management and decision-making that addresses Alberta's growth pressures. Alberta's Land-use Framework provides clear direction for managing land, air, water and biodiversity, and is based on economic, environmental and social outcomes that guide planning, decision-making and management of land and natural resources in regions.

Lands – The Department manages the demands of multiple stakeholders using Alberta's public land by integrating planning and management best practices to sustain the benefits Albertans receive from their natural resources and public lands.

Fish and Wildlife – The Department manages fish and wildlife species based on the best available science and integrated decision-making processes. The sound stewardship of fish and wildlife resources facilitates consumptive (fishing and hunting) and non-consumptive recreation opportunities compatible with healthy, diverse fish and wildlife populations.

Quasi-judicial Land-use and Compensation Decisions – Reporting to the Minister of Sustainable Resource Development, the Department's quasi-judicial boards make their decisions independently, in accordance with their own governing legislation. **The Surface Rights Board** conducts hearings when operators and landowners or occupants fail to agree on entry or compensation related to resource activity on privately owned lands or occupied public lands. **The Land Compensation Board** establishes compensation when private land is expropriated by a public authority for projects in the public interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the Department.

(a) Reporting Entity

The reporting entity is the Department of Sustainable Resource Development, for which the Minister of Sustainable Resource Development is accountable. The Department Annual Report provides a more comprehensive accounting of the financial position and results of the Department's operations for which the Minister is accountable.

All Departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

Revenues are reported on an accrual basis. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

The Department outsourced the sale of recreational hunting and fishing licences through the Recreational Licencing Management (RELM) system to IBM. Under the agreement, IBM has full responsibility for the service and it is responsible for all costs associated with it. IBM receives a transaction fee for each licence sold with the balance of the revenue being forwarded to the Department or to a Delegated Authorized Organization. The Department reports revenue in Premiums, Fees and Licences on the Statements of Operations net of IBM transaction fees of $6.3 million.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return.

Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Credit or Recovery

Credit or recovery initiatives provide a basis for authorizing spending. Credit or recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credits or recoveries exceed budget, the Department may, with the approval of the Treasury Board, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets;
- pension costs, which are the cost of the employer contributions during the year; and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets

Financial Assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values for these physical assets less any nominal proceeds are recorded as grants-in-kind.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to remediate contaminated sites. When the Department has incurred such liabilities, a liability is accrued based on management's best estimates. Where an environmental liability cannot be estimated, the nature of the liability and its potential effect on the Department's financial statements is disclosed.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Some revenues are predicated on self-assessment where clients are expected to understand the terms of their lease or permit and comply with them. This could impact the completeness of the revenues from royalties and disturbance fees on large dispositions when clients fail to comply with the lease, permit, or disposition requirements. The Department is in the process of enhancing systems and methods to validate amounts reported and ensure completeness of revenues. Regardless of system enhancements procedures cannot identify all sources of unreported income from self assessed revenues. The Department does not estimate the amount of unreported royalties or disposition fees.

(c) Change in Accounting Policy

The Department changed its accounting policy for revenue recognition for the year ended March 31, 2010 from reporting on a cash basis for Land Disturbance Fees, Sand and Gravel Royalties and Timber Damage Assessments. The Department obtained additional information which enabled it to report on an accrual basis beginning in 2010. Prior year revenue has not been restated. The effect of the change reflected in the statements of financial position as at March 31, 2010 is an increase in net assets before operating results of $24.9 million of which $14.3 million had been received by March 31, 2010 and $10.6 million was recorded in Accounts Receivable.

NOTE 3 ACCOUNTS RECEIVABLE

(in thousands)

	2010			2009
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 113,800	$ (1,569)	$ 112,231	$ 52,717
Refunds from suppliers	80	-	80	458
	$ 113,880	$ (1,569)	$ 112,311	$ 53,175

Accounts receivable are unsecured and interest bearing at various rates.

NOTE 4 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land (a)	Buildings	Equipment (b)	Computer Hardware and Software	Other (c)	2010 Total	2009 Total
Estimated Useful Life	Indefinite	40 years	3 – 15 years	5 – 10 years	5 – 40 years		
Historical Costs*							
Beginning of year	$ 126,629	$ 46,498	$ 70,306	$ 23,756	$ 119,284	$ 386,473	$ 339,495
Additions	12,009	2,625	4,028	2,407	6,822	27,891	48,233
Disposals, including write-downs	(6,868)	(353)	(66)	-	-	(7,287)	(1,255)
	$ 131,770	$ 48,770	$ 74,268	$ 26,163	$ 126,106	$ 407,077	$ 386,473
Accumulated Amortization							
Beginning of year	$ -	$ 16,531	$ 17,987	$ 14,095	$ 65,353	$ 113,966	$ 106,817
Amortization expense	-	976	3,698	1,136	2,530	8,340	7,935
Effect of disposals	-	(251)	(66)		-	(317)	(786)
	$ -	$ 17,256	$ 21,619	$ 15,231	$ 67,883	$ 121,989	$ 113,966
Net Book Value at March 31, 2010	$ 131,770	$ 31,514	$ 52,649	$ 10,932	$ 58,223	$ 285,088	
Net Book Value at March 31, 2009	$ 126,629	$ 29,967	$ 52,319	$ 9,661	$ 53,931		$ 272,507

(a) Land includes land acquired for building sites, infrastructure and other program use.

(b) Equipment includes office, laboratory, heavy mobile and forest protection equipment, vehicles and furniture.

(c) "Other" consists of land improvements; aircraft and aircraft engines; and highways and roads (consists of original pavement, roadbed, drainage works and traffic control devices).

**Historical costs include work-in-progress at March 31, 2010 totalling $13,342 comprised of: equipment $3,334 (2009 - $8,590); computer hardware and software $2,118 (2009 - $1,752); and other $7,890 (2009 - $32,496).*

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands)

	2010	2009
Payable to Environmental Protection and Enhancement Fund	$ 82,425	$ 48,668
Accrued liabilities	31,398	26,224
Accounts payable general	3,641	5,241
Vacation pay	16,046	15,236
	$ 133,510	$ 95,369

NOTE 6 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2010	2009
Service contracts	$ 77,796	$ 52,365
Long-term leases	249	1,197
Grants	1,050	14,507
	$ 79,095	$ 68,069

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Leases	Grants	Total
2010-11	$ 31,642	$ 229	$ 350	$ 32,221
2011-12	19,926	17	350	20,293
2012-13	18,851	3	350	19,204
2013-14	4,175	-	-	4,175
2014-15	1,444	-	-	1,444
Thereafter	1,758	-	-	1,758
	$ 77,796	$ 249	$ 1,050	$ 79,095

NOTE 7 CONTINGENT ASSETS AND LIABILITIES

(in thousands)

At March 31, 2010 the Department is a defendant in twenty-one legal claims (2009 – twenty-four legal claims). Fourteen of these claims have specified amounts totalling $1,433,880 and the remaining seven have no specified amounts (2009 – eighteen claims with specified amounts totalling $1,434,142 and six with no specified amounts). Included in the total legal claims are six claims totalling $1,418,032 and four claims with no specified amounts (2009 – seven claims totalling $1,417,780 and four claims with no specified amount) in which the Department has been jointly named with other entities. Eight claims totalling $11,219 are covered by the Alberta Risk Management Fund (2009 - nine claims totalling $11,021).

The resulting loss, if any, from these claims cannot be determined.

The Department is actively involved in various legal claims to recover amounts spent on fighting forest fires. The outcome of these actions is not determinable at the present time; however, the amounts that may be recovered are potentially significant.

NOTE 8 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2010 trust funds under administration were as follows:

	2010	2009
Geophysical General Trust	$ 3,322	$ 3,376
Miscellaneous General Trust (Lands)	16,887	14,481
Performance Deposit Trust	1,121	816
Forests Act Securities General Trust	2,338	2,528
	$ 23,668	$ 21,201

In addition to the above trust funds under administration, the Department holds bank guarantees in the form of letters of credit and promissory notes as follows:

	2010	2009
Miscellaneous General Trust (Lands)	$ 19,575	$ 19,144
Performance Deposit Trust	4,815	8,085
Forests Act Securities General Trust	2,221	2,692
	$ 26,611	$ 29,921

NOTE 9 BENEFIT PLANS

(in thousands)

The Department participates in the multi-employer pension plans Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $11,977 for the year ended March 31, 2010 (2009 – annual contribution of $10,714).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 – deficiency of $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 – deficiency of $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 – deficiency of $7,111).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of $ 8,335 (2009 – actuarial deficiency of $33,540) and the Management, Opted Out and Excluded Plan an actuarial surplus of $ 7,431 (2009 – actuarial deficiency of $1,051). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 10 COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 1**

SCHEDULES TO FINANCIAL STATEMENTS

Revenues

Year ended March 31

(in thousands)

	2010 Budget (Schedule 4)	2010 Actual		2009 Actual
Internal Government Transfers				
Allocation of Revenue to Environmental Protection and Enhancement Fund	$ (84,249)	$ (78,441)		$ (84,110)
Remission of Surplus from Environmental Protection and Enhancement Fund	75,014	66,747		75,500
	(9,235)	(11,694)		(8,610)
Transfers from the Government of Canada**				
Various	43,089	52,704	*	39,505
Investment Income	15	40		9
Fees, Permits and Licences				
Timber Royalties and Fees	39,700	26,320		36,472
Land and Grazing	61,650	65,366		64,813
Other	11,277	9,019		10,010
	112,627	100,705		111,295
Other Revenue				
Refunds of Expenses	-	4,433		2,792
Various	3,580	4,508		2,685
	3,580	8,941		5,477
Total Revenues	$ 150,076	$ 150,696		$ 147,676

*Transfers from the Government of Canada include $2.2 million for Provincial Grazing Reserves Capital

**The Softwood Lumber Agreement, 2006 requires the Minister of Natural Resources of the Government of Canada to collect a softwood lumber export tax on lumber export products to the United States. The export tax levels are based upon the *Random Lengths* Composite Framing Lumber Price Index (CFLPI). Above a CFLPI level of $US355 the export tax rate is 0 per cent. As the CFLPI falls below $US355, this tax rate increases in increments of 5 per cent until the export tax rate reaches 15 per cent. The export tax collected is transferred to the provinces net of the Government of Canada's administration and legal costs. (Note: Not in thousands)

The Department received $25.8 million for the nine month period ended December 31, 2009 and has accrued $9.0 million for the three month period ended March 31, 2010. The amount of the transfer received for the three month period will vary from that estimated by the amount of administration and legal costs incurred by the Government of Canada.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 2**

SCHEDULES TO FINANCIAL STATEMENTS

Credit Or Recovery

Year ended March 31

(in thousands)

	2010		
	Authorized	Actual	(Shortfall)/ Excess
Bow Habitat Station	$ 400	$ 11	$ (389)
Research from Wildfire Cost Recovery	50	50	-
Forestry Youth Programs	375	79	(296)
Hinton Training Centre	700	323	(377)
Smoky Lake Tree Improvement Centre	100	85	(15)
National Forest Inventory	155	104	(51)
Forest Reforestation	255	179	(76)
Federal Government Forestry Agreements	10,000	10,000	-
Spatial Data Warehouse	5,400	3,057	(2,343)
Fish and Wildlife	450	574	124
	$ 17,885	$ 14,462	$ (3,423)
Enhanced Land Stewardship	$ 17,400	$ 16,159	$ (1,241)
Provincial Grazing Reserves	2,200	2,200	-
	$ 37,485	32,821	(4,664) (1)

(1) Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

Bow Habitat Station – Revenues are from admissions, concessions, programs, special events, rentals, membership and donations which are used to offset operating expenses. The visitor centre was opened October 2, 2009.

Research from Wildfire Cost Recovery - Revenue is collected through a wildfire settlement agreement with EnCana. This fiscal year was the last payment of a five year agreement for Encana to make the annual $50,000 payment to support research programs for wildfire suppression.

Forestry Youth Programs - Forestry Youth Employment Initiatives are delivered by the Department in partnership with industry, communities, and other government departments to promote career opportunities for youth related to forestry and other natural resource fields.

The **Hinton Training Centre** initiative was established for the purpose of collecting revenue for room and board, for classroom utilization, and the sale of interactive fire compact discs for national and international studies.

Smoky Lake Tree Improvement Centre initiative accounts for the scientific work, resource conservation, and technology transfer related to regional forest improvement in the Peace Region.

National Forest Inventory - Federal funding is available to the province for its participation in the implementation of the National Forestry initiatives which can assist with critical provincial information update, implementation of associated provincial programs, such as the Alberta Biodiversity Monitoring Program and National Forest Pest Strategy, and evaluate processes to capture and enhance required information pertaining to forest resources.

Forest Reforestation – The program is designed to assist forest companies to adopt the new Alternate Regeneration Survey (ARS) standards and survey protocols by facilitating the process of photo acquisition to ensure aerial photo standardization.

(continued)

Federal Government Forestry Agreements – Revenue is collected through agreements with the Government of Canada to undertake forestry related activities. The agreement with the Federal Government was to undertake Mountain Pine Beetle survey, hazard tree removal and single tree control on Crown land and Indian Reserves.

The **Spatial Data Warehouse** initiative was established for updating and distributing provincial base maps, including cadastral, disposition, and topographic mapping. Revenue for this initiative is from filing fees for cadastral and disposition mapping collected at the time of registration, revenue sharing with Spatial Data Warehouse Ltd., provincial base map sales, and partnership funding for topographic map updating.

The **Fish and Wildlife** initiative promotes industry stewardship and investment in this provincial resource and fosters improved industry relationships with other stakeholders.

The **Enhanced Land Stewardship Capital** allows the Department to sell surplus land and use the proceeds to purchase non-urban lands for conservation and stewardship need such as land for sensitive habitat in rural areas, critical watersheds, and conservation easements that better meet the Department's mandate.

Provincial Grazing Reserves Capital– Federal funding is provided to refurbish grazing reserve infrastructure to continue to provide summer pasture for Alberta farmers and ranchers.

Note: The credits or recoveries presented in this schedule are included in the Department's Statement of Operations with the exception of the Provincial Grazing Reserves and the Enhanced Land Stewardship

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 3**

SCHEDULES TO FINANCIAL STATEMENTS

Expenses – Directly Incurred Detailed by Object

Year ended March 31

(in thousands)

	2010		2009
	Budget	Actual	Actual
Voted			
Salaries, Wages and Employee Benefits	$ 174,435	$ 165,336	$ 160,692
Supplies and Services	102,819	99,468	105,016
Supplies and Services from Support Service Arrangements with Related Parties (a)	595	547	569
Grants	36,944	195,661	195,155
Financial Transactions and Other	100	120	120
Consumption of Inventory	2,600	2,830	1,288
Amortization of Tangible Capital Assets	12,623	8,340	7,935
	$ 330,116	$ 472,302	$ 470,775
Statutory			
Valuation Adjustments			
Provision for (Recovery in) Doubtful Accounts	$ 655	$ (144)	$ 122
Provision for (Decrease in) Vacation Pay	400	811	1,580
	$ 1,055	$ 667	$ 1,702

(a) The Department receives financial and administrative services from the Department of Energy.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 4**

SCHEDULES TO FINANCIAL STATEMENTS

Budget

Year ended March 31

(in thousands)

	2009-10 Estimates (a)	Adjustments (b)	2009-10 Budget	Authorized Supplementary (c)	2009-10 Authorized Budget
Revenues (Schedules 1 and 2)					
Transfer to Environmental Protection and Enhancement Fund	$ (84,249)	$ -	$ (84,249)	$ -	$ (84,249)
Remission of Surplus from the Environmental Protection and Enhancement Fund	75,014	-	75,014	-	75,014
Transfers from Government of Canada	43,089	-	43,089	-	43,089
Premiums, Fees, and Licences	112,627	-	112,627	-	112,627
Investment income	15	-	15	-	15
Other Revenue	3,580	-	3,580	-	3,580
	150,076	-	150,076	-	150,076
Expenses - Directly Incurred					
Voted Operating Expenses					
Ministry Support Services	34,868	-	34,868	-	34,868
Forestry	150,080	10,255	160,335	151,653	311,988
Land Use Secretariat	15,000	-	15,000	-	15,000
Lands	64,736	-	64,736	(573)	64,163
Fish and Wildlife	55,209	-	55,209	(572)	54,637
Quasi-judicial Land-use and Compensation Decisions	10,223	-	10,223	-	10,223
Credit or Recovery Shortfall (Schedule 2)	-	(3,423)	(3,423)	-	(3,423)
	330,116	6,832	336,948	150,508	487,456
Statutory Expenses					
Valuation Adjustments and Other Provisions					
Provision for Doubtful Accounts	655	-	655	-	655
Provisions for Vacation Pay	400	-	400	-	400
	1,055	-	1,055	-	1,055
Total Expenses	331,171	6,832	338,003	150,508	488,511
Gain (Loss) on Disposal of Tangible Capital Assets	17,500	-	17,500	-	17,500
Net Operating Results	$ (163,595)	$ (6,832)	$ (170,427)	$ (150,508)	$ (320,935)
Equipment/Inventory Purchases (EIP)	$ 5,777	$ 1,275	$ 7,052	$ -	$ 7,052
Capital Investment	$ 20,450	$ 14,600	$ 35,050	$ -	$ 35,050
Dedicated Revenue Shortfall (Schedule 2) – Capital Investment	-	(1,241)	(1,241)	-	(1,241)
	20,450	13,359	33,809	-	33,809
Non-Budgetary Disbursements	$ 17,500	$ -	$ 17,500	$ -	$ 17,500

(a) *Appropriation Act*, 2009 (Bill 47) Royal Ascent May 26, 2009.

(b) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual voted Expense, Equipment/Inventory Purchases and Capital Investment in the prior year exceeded the authorized budget, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. The budget was adjusted by $10 million for mountain pine beetle expenses through the Federal Western Economic Development Program, $12.4 million Capital for Enhanced Land Stewardship and $2.2 million Capital for Provincial Grazing Reserves. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(c) Supplementary Estimates were approved on July 21, 2009 ($120 million Firefighting), and November 4, 2009 ($10 million Firefighting, $25 million Mountain Pine Beetle). The amount was then reduced by $3,347 million as a result of budget adjustments due to Value Review Savings.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 5

SCHEDULES TO FINANCIAL STATEMENTS

Comparison of Expenses - Directly Incurred, Equipment Inventory/Purchases (EIP) and Capital Investment and Statutory Expenses and Non-Budgetary Disbursements by Element to Authorized Budget

Year ended March 31

(in thousands)

Voted Expense, EIP and Capital Investments	2009-10 Estimates (a)	Adjustments (b)	2009-10 Budget	Authorized Supplementary (c)	2009-10 Authorized Budget	2009-10 Actual	Unexpended (Over Expended)
Ministry Support Services							
1.0.1 Minister's Office	$ 473	$ -	$ 473	$ -	$ 473	$ 426	$ 47
1.0.2 Deputy Minister's Office	561	-	561	-	561	550	11
1.0.3 Communications	1,409	-	1,409	-	1,409	1,484	(75)
1.0.4 Human Resources	2,706	-	2,706	-	2,706	2,591	115
1.0.5 Corporate Services							
Operating	29,634	-	29,634	-	29,634	26,275	3,359
Equipment/Inventory Purchases	40	-	40	-	40	109	(69)
1.0.6 Amortization of Capital Assets	85	-	85	-	85	90	(5)
	34,908	-	34,908	-	34,908	31,525	3,383
Forestry							
2.0.1 Forest Protection							
Operating	99,460	-	99,460	126,653	226,113	222,440	3,673
Equipment/Inventory Purchases	3,853	-	3,853	-	3,853	3,042	811
Capital Investment	13,338	-	13,338	-	13,338	7,994	5,344
2.0.2 Forest Management							
Operating	24,447	10,255	34,702	25,000	59,702	53,680	6,022
2.0.3 Forest Economics							
Operating	14,614	-	14,614	-	14,614	13,781	833
2.0.4 Amortization of Capital Assets	11,559	-	11,559	-	11,559	6,115	5,444
	167,271	10,255	177,526	151,653	329,179	307,052	22,127
Land Use Secretariat							
3.0.1 Land Use Secretariat							
Operating	15,000	-	15,000	-	15,000	14,921	79
Equipment/Inventory Purchases	-	-	-	-	-	27	(27)
	15,000	-	15,000	-	15,000	14,948	52
Lands							
4.0.1 Public Land Management							
Operating	30,059	-	30,059	(473)	29,586	30,361	(775)
Equipment/Inventory Purchases	702	-	702	-	702	1,210	(508)
4.0.2 Rangeland Management							
Operating	11,045	-	11,045	(100)	10,945	11,111	(166)
Equipment/Inventory Purchases	400	-	400	-	400	399	1
Capital Investment	2,112	2,200	4,312	-	4,312	4,110	202
4.0.3 Land Dispositions							
Operating	9,325	-	9,325		9,325	11,137	(1,812)
Capital Investment	5,000	12,400	17,400	-	17,400	12,009	5,391
4.0.4 Nominal Sum Disposals	12,500	-	12,500	-	12,500	9,502	2,998
4.0.5 Amortization of Capital Assets	1,807	-	1,807	-	1,807	1,544	263
	72,950	14,600	87,550	(573)	86,977	81,383	5,594

Schedule 5
(cont'd)

Comparison of Expenses - Directly Incurred, Equipment Inventory/Purchases (EIP) and Capital Investment and Statutory Expenses and Non-Budgetary Disbursements by Element to Authorized Budget

Year ended March 31

(in thousands)

Voted Expense, EIP and Capital Investments	2009-10 Estimates (a)	Adjustments (b)	2009-10 Budget	Authorized Supplementary (c)	2009-10 Authorized Budget	2009-10 Actual	Unexpended (Over Expended)
Fish and Wildlife							
5.0.1 Fisheries Management							
Operating	10,931	-	10,931	-	10,931	11,075	(144)
Equipment/Inventory Purchases	38	-	38	-	38	-	38
5.0.2 Wildlife Management							
Operating	9,771	-	9,771	-	9,771	12,655	(2,884)
Equipment/Inventory Purchases	38	-	38	-	38	-	38
5.0.3 Enforcement							
Operating	32,738	-	32,738	(572)	32,166	32,043	123
Equipment/Inventory Purchases	706	1,275	1,981	-	1,981	1,465	516
5.0.4 Amortization of Capital Assets	1,769	-	1,769		1,769	585	1,184
	55,991	1,275	57,266	(572)	56,694	57,823	(1,129)
Quasi-judicial Land-use and Compensation Decisions							
6.0.1 Natural Resources Conservation Board	6,809	-	6,809	-	6,809	6,314	495
6.0.2 Surface Rights and Land Compensation Boards	3,411	-	3,411	-	3,411	3,617	(206)
6.0.3 Amortization of Capital Assets	3	-	3	-	3	5	(2)
	10,223	-	10,223	-	10,223	9,936	287
Credit or Recovery Shortfall	-	(3,423)	(3,423)	-	(3,423)	-	(3,423)
Total	$356,343	22,707	379,050	150,508	529,558	502,667	26,891
Operating Expense	$330,116	$ 6,832	$336,948	$ 150,508	$ 487,456	$472,302	$ 15,154
Equipment/Inventory Purchases	5,777	1,275	7,052	-	7,052	6,252	800
	335,893	8,107	344,000	150,508	494,508	478,554	15,954
Capital Investment*	20,450	14,600	35,050	-	35,050	24,113	10,937
Credit or Recovery Shortfall	-	(1,241)	(1,241)	-	(1,241)	-	(1,241)
	$356,343	$ 21,466	$377,809	$ 150,508	$ 528,317	$502,667	$ 25,650
Statutory Expense							
Valuation Adjustments	$ 1,055	$ -	$ 1,055	$ -	$ 1,055	$ 667	$ 388

* The Department is to carry forward $5.4 million of this amount as approved by Treasury Board pursuant to section 28.1 of Financial Administration Act.

(a) *Appropriation Act*, 2009 (Bill 47) Royal Ascent May 26, 2009.

(b) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual voted Expense, Equipment/Inventory Purchases and Capital Investment in the prior year exceeded the authorized budget, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year. The budget was adjusted by $10 million for mountain pine beetle expenses through the Federal Western Economic Development Program, $12.4 million Capital for Enhanced Land Stewardship and $2.2 million Capital for Provincial Grazing Reserves. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(c) Supplementary Estimates were approved on July 21, 2009 ($120 million Firefighting), and November 4, 2009 ($10 million Firefighting, $25 million Mountain Pine Beetle). The amount was then reduced by $3,347 million as a result of budget adjustments due to Value Review Savings.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 6**

SCHEDULES TO FINANCIAL STATEMENTS

Salary and Benefits Disclosure

Year ended March 31

	2010				2009
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Deputy Minister [4]	$ 264,069	$ -	$ 62,990	$ 327,059	$ 371,650
Assistant Deputy Ministers					
Fish and Wildlife [5]	133,672	10,364	22,147	166,183	229,657
Forestry	163,666	-	39,545	203,211	235,161
Lands	185,117	-	8,689	193,806	216,679
Corporate Services	185,117	-	22,641	207,758	247,598
Sustainable Resource and Environment Management	185,117	-	44,957	230,074	241,561
Executive Directors					
Corporate Business Support [6]	-	-	-	-	70,716
Human Resource Services	139,520	-	33,931	173,451	190,071

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts (include overtime and/or lump sum payments if relevant for the particular circumstance). There were no bonuses paid in 2010.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships, and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The Assistant Deputy Minister retired on February 23, 2010. An Acting Assistant Deputy Minister was in place on February 23, 2010.

(6) As of October 20, 2008, Corporate Business Support Director no longer forms part of the Executive Team.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 7**

SCHEDULES TO FINANCIAL STATEMENTS

Related Party Transactions

Year ended March 31

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2010	2009	2010	2009
Revenues				
Grants	$ 66,747	$ 75,500	$ -	$ -
Fees and Charges	-	-	69	54
	$ 66,747	$ 75,500	$ 69	$ 54
Expenses – Directly Incurred				
Grants	$ 166,827	$ 177,386	$ 509	$ 2,155
Other Services	-	-	3,345	2,481
	$ 166,827	$ 177,386	$ 3,854	$ 4,636
Tangible Capital Assets Transferred (Out) In	$ -	$ -	$ (6,868)	$ 1,685
Receivable From	$ 66,747	$ 35,501	$ 2	$ -
Payable To	$ 82,425	$ 48,668	$ 407	$ 1,708

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2010	2009	2010	2009
Expenses – Incurred by Others				
Accommodation	$ -	$ -	$ 35,373	$ 24,899
Administration Costs	-	-	9,486	9,460
Air Transportation	-	-	212	115
Corporate Human Resources	-	-	294	-
Legal	-	-	1,876	1,816
	$ -	$ -	$ 47,241	$ 36,290

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 8**

SCHEDULES TO FINANCIAL STATEMENTS

Allocated Costs

Year ended March 31

(in thousands)

	2010								2009
		Expenses – Incurred by Others				Valuation Adjustments			
Program	Expenses (1)	Accommodation Costs	Administration Costs (2)	Air Transportation	Legal Services (3)	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Note 10)
Ministry Support Services	$ 31,416	$ 4,402	$ 631	$ 77	$ 442	$ 82	$ -	37,050	$ 38,565
Forestry	296,016	12,251	5,945	101	370	310	(198)	314,795	320,855
Land Use Secretariat	14,921	106	300	3	-	234	-	15,564	7,399
Lands	63,655	9,192	1,278	15	641	(28)	54	74,807	63,508
Fish and Wildlife	56,358	8,114	1,132	14	717	172	-	66,507	66,927
Quasi-judicial Land-use and Compensation Decisions	9,936	1,308	200	2	-	41	-	11,487	11,513
	$ 472,302	$ 35,373	$ 9,486	$ 212	$2,170	$ 811	$ (144)	$520,210	$ 508,767

(1) Expenses – Directly Incurred as per Statements of Operations, excluding valuation adjustments.

(2) Amount includes Corporate Services for $9,346, Corporate Internal Audit Services (CIAS) for $56, and GOA Learning, Corporate Human Resources for $84.

(3) Amount includes Corporate Human Resources for severance packages for $294.

AUDITOR GENERAL
Alberta

Auditor's Report

To the Minister of Sustainable Resource Development

I have audited the statements of financial position of the Environmental Protection and Enhancement Fund as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
June 10, 2010

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

STATEMENTS OF OPERATIONS

Year ended March 31

(in thousands)

	2010 Budget	2010 Actual	2009 Actual
Revenues			
Transfer from the Department of Sustainable Resource Development (Note 7)	$ 84,249	$ 238,954	$ 254,997
Investment Income	5,620	897	4,086
Other Revenue	400	890	1,652
	90,269	240,741	260,735
Expenses			
Environment Statutory Programs	2,675	901	1,608
Natural Resources Emergency Program			
Forest Fires	12,000	140,218	128,454
Forest Health Program	500	32,795	55,093
Intercept Feeding and Fencing	80	80	80
	15,255	173,994	185,235
Net Operating Results	$ 75,014	$ 66,747	$ 75,500

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND
STATEMENTS OF FINANCIAL POSITION
As at March 31

(in thousands)

	2010	2009
ASSETS		
Cash and Cash Equivalents (Note 3)	$ 149,994	$ 152,545
Accounts Receivable (Note 4)	82,430	48,718
	$ 232,424	$ 201,263
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 81,448	$ 49,797
Unearned Revenue	976	1,466
	82,424	51,263
NET ASSETS		
Net Assets at Beginning of Year	150,000	150,000
Net Operating Results	66,747	75,500
Transfer to Department	(66,747)	(75,500)
Net Assets at End of Year (Note 6)	150,000	150,000
	$ 232,424	$ 201,263

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND
STATEMENTS OF CASH FLOWS
Year ended March 31

(in thousands)

	2010	2009
Operating Transactions		
Net Operating Results	$ 66,747	$ 75,500
(Increase) Decrease in Accounts Receivable	(33,712)	24,036
Increase (Decrease) in Accounts Payable and Accrued Liabilities	31,651	(55,127)
(Decrease) Increase in Unearned Revenue	(490)	(1,151)
Cash Provided by (Applied to) Operating Transactions	64,196	43,258
Financing Transactions		
Transfer to Department of Sustainable Resource Development	(66,747)	(75,500)
Cash (Applied to) Provided by Financing Transactions	(66,747)	(75,500)
(Decrease) Increase in Cash and Cash Equivalents	(2,551)	(32,242)
Cash and Cash Equivalents at Beginning of Year	152,545	184,787
Cash and Cash Equivalents at End of Year	$ 149,994	$ 152,545

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Environmental Protection and Enhancement Fund (the Fund) operates under the authority of the *Environmental Protection and Enhancement Act* (EPEA), Chapter E-12, Revised Statutes of Alberta 2000.

The components of the Fund are:

Environment Statutory Programs

Natural Resources Emergency Program

- Wildfire Suppression - Wildfire Management
- Forest Health
- Intercept Feeding and Fencing
- Land Reclamation

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation standards for government summary financial statements have been modified to more appropriately reflect the nature of the Fund.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Sustainable Resource Development (the Ministry). The Minister of Sustainable Resource Development is accountable for the Fund's financial administration. Other entities reporting to the Minister are the Department of Sustainable Resource Development (the Department) and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The Ministry's Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

Revenues are reported on an accrual basis. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Expenses represent the costs of resources consumed during the year on the Fund's operations.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Net Assets

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

NOTE 3 CASH

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2010, securities held by the Fund have a time-weighted return of 1% per annum (2009: 3.0% per annum).

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2010	2009
Department of Sustainable Resource Development	$ 82,425	$ 48,668
Other	5	50
	$ 82,430	$ 48,718

NOTE 5 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Fund to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2010	2009
Service Contracts	$ 19,855	$ 29,940
Long-term Leases	44	91
	$ 19,899	$ 30,031

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Leases	Grants	Total
2010-11	$ 12,941	$ 38	$ -	$ 12,979
2011-12	3,457	6	-	3,463
2012-13	3,457	-	-	3,457
2013-14	-	-	-	-
2014-15	-	-	-	-
Thereafter	-	-	-	-
	$ 19,855	$ 44	$ -	$ 19,899

NOTE 6 NET ASSETS

(in thousands)

The Net Assets for the Fund are capped at $150,000 in accordance with a Treasury Board decision.

NOTE 7 TRANSFER FROM THE DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

(in thousands)

The following revenue was received or is receivable from the Department of Sustainable Resource Development:

	2010	2009
Revenue in Excess of Department's Base Revenue (a)	$ 78,441	$ 84,110
Mountain Pine Beetle	32,295	54,632
Forest Fires	128,218	116,255
	$ 238,954	$ 254,997

(a) All revenue received by the Department (excluding Credit or Recovery) that is in excess of the Department's base revenue of 2010 - $67,432 (2009 - $51,482).

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 SALARY AND BENEFIT DISCLOSURE

The province's salary and benefit disclosure requirements for the Executives are disclosed in the financial statements of the Department of Sustainable Resource Development.

NOTE 9 BUDGET FIGURES

The revenue and expenses budget amounts disclosed in these financial statements agree with the 2009-2010 Government Estimates.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND **Schedule 1**

SCHEDULES TO FINANCIAL STATEMENTS

Expenses – Directly Incurred Detailed by Object

Year ended March 31

(in thousands)

	2010		2009
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	$ 4,068	$ 17,382	$ 18,295
Supplies and Services	8,512	143,794	161,327
Grants	2,675	12,818	5,613
Total Expenses	$ 15,255	$ 173,994	$ 185,235

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND **Schedule 2**

SCHEDULES TO FINANCIAL STATEMENTS

Related Party Transactions

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Fund had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2010	2009	2010	2009
Revenues				
Transfer from the Department	$ 78,441	$ 84,110	$ -	$ -
Grants from the Department	160,513	170,887	-	-
	$ 238,954	$ 254,997	$ -	$ -
Expenses – Directly Incurred				
Other Services	$ -	$ -	$ 1,122	$ 1,725
Receivable From	$ 82,425	$ 48,668	$ -	$ -
Payable To	$ 66,747	$ 35,501	$ 407	$ 334

AUDITOR GENERAL
Alberta

Auditor's Report

To the Members of the Natural Resources Conservation Board

I have audited the statements of financial position of the Natural Resources Conservation Board as at March 31, 2010 and 2009 and the statements of operations, and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Merwan N. Saher CA
Auditor General

Edmonton, Alberta
June 1, 2010

NATURAL RESOURCES CONSERVATION BOARD

STATEMENTS OF OPERATIONS

Year ended March 31

	2010		2009
	Budget	Actual	Actual
Revenues			
Transfer from the Department of Sustainable Resource Development	$6,809,000	$6,314,000	$6,499,000
Interest	50,000	36,460	66,775
Other	1,000	925	1,708
	6,860,000	6,351,385	6,567,483
Expenses – Directly Incurred (Note 2b)			
Salaries and Benefits	5,486,824	5,218,177	5,139,704
Travel	628,247	392,324	546,416
Office	423,629	285,755	417,563
Consulting Services	154,800	194,005	180,962
Telecommunications	85,000	83,243	80,937
Amortization of Tangible Capital Assets	50,000	36,953	40,529
Advertising	24,500	16,587	37,144
	6,853,000	6,227,044	6,443,255
Net Operating Results	$7,000	$124,341	$124,228

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD

STATEMENTS OF FINANCIAL POSITION

As at March 31

	2010	2009
ASSETS		
Cash (Note 3)	$3,012,399	$3,038,406
Accounts Receivable	1,924	14,293
Tangible Capital Assets (Note 4)	80,909	111,847
	$3,095,232	$3,164,546
LIABILITIES		
Accounts Payable and Accrued Liabilities	$364,702	$558,357
NET ASSETS		
Net Assets at Beginning of Year	2,606,189	2,481,961
Net Operating Results	124,341	124,228
Net Assets at End of Year	2,730,530	2,606,189
	$3,095,232	$3,164,546

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD

STATEMENTS OF CASH FLOWS

Year ended March 31

	2010	2009
Operating Transactions		
Net Operating Results	$124,341	$124,228
Non-cash item included in Net Operating Results:		
Amortization of Tangible Capital Assets	36,953	40,529
	161,294	164,757
(Increase) Decrease in Accounts Receivable	12,369	(11,517)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(193,655)	51,819
Cash Provided by (Applied to) Operating Transactions	(19,992)	205,059
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,015)	(19,360)
Cash Applied to Capital Transactions	(6,015)	(19,360)
Increase (Decrease) in Cash	(26,007)	185,699
Cash, Beginning of Year	3,038,406	2,852,707
Cash, End of Year	$3,012,399	$3,038,406

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Authority and Purpose

The Natural Resources Conservation Board (the NRCB) operates under the authority of the *Natural Resources Conservation Board Act*, Chapter N-3, RSA 2000 (NRCBA). NRCB's mandate is to provide for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta. Included in this mandate are reviewable projects described in the NRCBA as well as the regulatory responsibilities set out in Part 2 of the *Agricultural Operation Practices Act,* Chapter A-7, RSA 2000 (AOPA) for the approval, monitoring and compliance of livestock confined feeding operations.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the NRCB. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Revenue Recognition

All revenues are reported on the accrual basis of accounting.

b) Expenses

Directly Incurred

Directly incurred expenses are those costs the NRCB has primary responsibility and accountability for, as reflected in the budget.

Incurred by Others

Services contributed by other entities in support of NRCB's operations are not recognized and are disclosed in Note 7 and in the Schedule of Allocated Costs.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Tangible Capital Assets

Tangible capital assets are recorded at historical cost. The threshold for capitalizing new tangible capital assets is $5,000. These assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer hardware	Straight line – 3 years
Computer software	Straight line – 2 to 3 years
Office equipment	Declining balance – 20% per year
Office furniture	Declining balance – 20% per year

d) Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

e) Valuation of Financial Assets and Liabilities

The fair values of accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

f) Pension Expense

Multi-employer defined benefit plans are accounted for as defined contribution plans, the expense being limited to the employer's annual contributions for the year.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2010, securities held by the Fund have a time-weighted return of 1.0% per annum (2009: 3.0% per annum).

Note 4 Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization.

	2010			2009
	Historical Cost	Accumulated Amortization	Net	Net
Computer hardware	$199,986	$177,191	$22,795	$39,035
Computer software	26,143	26,143	0	0
Office equipment	52,813	37,901	14,912	18,640
Office furniture	260,542	217,340	43,202	54,172
	$539,484	$458,575	$80,909	$111,847

Note 5 Pension

The NRCB participates in the Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers which are government multi-employer pension plans. The expense for these pension plans is equivalent to the annual contributions of $75,157 for the year ended March 31, 2010 (2009: $83,265).

At December 31, 2009 the Management Employees Pension Plan reported a deficiency of $483,199,000 (2008: $568,574,000). At December 31, 2009 the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516,000 (2008: $7,111,000).

In addition, the NRCB sponsors a defined contribution pension plan for employees who are not eligible to participate in the government sponsored pension plans. The expense for this pension plan is $263,306 for the year ended March 31, 2010 (2009: $234,702). Pension expense comprises the cost of employer contributions during the year.

NATURAL RESOURCES CONSERVATION BOARD

NOTES TO THE FINANCIAL STATEMENTS

Note 6 Salaries and Benefits

	2010				2009
	Base Salary[a]	Other Cash Benefits[b]	Other Non-Cash Benefits[c]	Total	Total
Chair[d] [e]	$146,352	$13,975	$33,692	$194,019	$197,572
Board Member 1[e]	125,244	1,596	33,508	160,348	162,497
Board Member 2[f]	93,936	8,997	29,255	132,188	124,471
Board Member 3[f]	93,470	129	21,775	115,374	137,337
CEO	176,508	303	42,355	219,166	228,753

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base salary includes pensionable base pay.

(b) Other cash benefits include health benefits pay in lieu and vacation payouts.

(c) Other non-cash benefits include the NRCB's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, pension and supplementary retirement plans, RRSP, health benefits, professional memberships, and WCB premiums. The NRCB is a participant in the Energy Resources Conservation Board (ERCB) flexible health benefit plan.

(d) Automobile allowance included in other non-cash benefits.

(e) The position is 80% permanent part-time.

(f) The position is 60% permanent part-time.

Note 7 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management of the NRCB.

Note 7 Related Party Transactions (cont'd)

The NRCB received $6,314,000 (2009: $6,499,000) in net transfers from the Department of Sustainable Resource Development and $36,460 (2009: $66,775) in revenue from other Government of Alberta departments. During the year, the NRCB paid $49,155 (2009: $59,804) and received $657 (2009: $24,600) to/from various Government of Alberta departments and agencies for supplies and/or services. The Statements of Financial Position also include $3,280 (2009: $3,474) as payable to and $0 (2009: $1,764) as receivable from various government entities.

In addition, the NRCB entered into the following transactions which are not reflected in the Statements of Operations:

Certain expenses for office space incurred on behalf of the NRCB by the Department of Infrastructure. These expenses amount to $487,582 (2009: $414,206) and are reflected in the Schedule of Allocated Costs.

The NRCB has a Memorandum of Understanding (MOU) with the ERCB to share resources on an ongoing basis. Under the MOU the NRCB is both a service provider and a service recipient. As a service provider, the NRCB contributed $0 (2009: $15,194) in services to the ERCB. As a service recipient, the NRCB received services from the ERCB of $25,594 (2009: $11,392).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 8 Budget

The budget was included in the 2009-10 Government Estimates. The budget was approved by the Board on April 28, 2009.

Note 9 Approval of Financial Statements

The financial statements were approved by the Board on June 1, 2010.

NATURAL RESOURCES CONSERVATION BOARD

SCHEDULE TO FINANCIAL STATEMENTS

Allocated Costs

Year ended March 31

	2010				2009
		Expenses incurred by others			
AOPA and NRCBA Mandates	Expenses	Office Costs [1]	Shared Services [1]	Total Expenses	Total Expenses
Board[2]	$1,247,575	$97,686	$13,265	$1,358,526	$1,412,370
Operations[3]	4,979,469	389,896	12,329	5,381,694	5,456,483
	$6,227,044	$487,582	$25,594	$6,740,220	$6,868,853

(1) See Note 7, Related Party Transactions.

(2) Board comprises expenses related to AOPA appeals and NRCBA reviews, and the MOU with the ERCB shown in Note 7.

(3) Operations comprise expenses related to (a) the approval, monitoring and compliance activities under AOPA and (b) science and technical activities in support of AOPA and NRCBA mandates. NRCBA applications include the following projects: Hammerstone Quarry, AST/Hazco Sulphur Forming and Shipping Facility, and past and potential projects, and the MOU with the ERCB shown in Note 7.

Department of Sustainable Resource Development

Unaudited Statement of Remissions, Compromises and Write-Offs

Year Ended March 31, 2010

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Remissions under Section 21 of the *Financial Administration Act*		$ -
Compromises under Section 22 of the *Financial Administration Act*		-
Write-offs		
Departmental Accounts Receivable	319,899	
Department Accounts Payable Credits	-	
Total Write-offs		319,899
Total Remissions, Compromises and Write-offs		$ 319,899

Performance Measure Methodology

All data used in these performance measures is produced by Sustainable Resource Development.

1a Regional Planning Indicator

This measure gauges progress in implementing Alberta's Land-use Framework. The regional plans under the Land-use Framework must be approved by Cabinet to be considered completed. The Cabinet decision is recorded for the purpose of this measure. The number of regional plans approved by Cabinet is summed cumulatively every fiscal year.

2a Timely, efficient disposition decisions

This measure indicates the speed in which industry is receiving access to carry out business on public land so they can return economic benefit to the province. Applications for geophysical approvals are entered in the Application Disposition Process and Tracking System and downloaded to the Land Status Automated System (LSAS). LSAS automatically captures and stores the date of application and the subsequent date of approval. The number of working days (Monday to Friday, excluding public sector holidays) spent completing geophysical approvals is then divided by the total number of geophysical approvals.

2b Public Rangeland Allocation

This measure indicates the amount of public land made available to Alberta's livestock producers for grazing. The total number of animal unit months approved for grazing leases, licences and permits as well as those for the forest reserves, provincial grazing reserves, and Camp Wainwright are counted each year.

2c Rangeland Sustainability

This measure helps determine the sustainability of public rangeland. Grazing leases scheduled to expire in the year of the annual report (approximately 10 per cent of total grazing leases held in the province) are assessed for sustainable rangeland health and management practices. The Geographic Land Information Management and Planning System (GLIMPS) selects leases for this measure and the results of these lease inspections are recorded in GLIMPS. The number of leases found to be good standing is divided by the total number of leases inspected and multiplied by 100 to obtain the percentage of leases in good standing. A lease is said to be in good standing when productivity, site stability, capture and beneficial release of water nutrient cycling, plant diversity, and proper grazing management practices are demonstrated and livestock is owned by the leaseholder except in special circumstances that are approved beforehand.

3a Timber Allocation

Results reflect Alberta's ability to manage forests on Crown land in a sustainable manner. Annual allowable cut (AAC) is the amount of timber that can be harvested on a sustainable basis (in accordance with the policy of sustained yield) within a defined planning area. Recreation areas, wildlife reserves, and stream buffers are excluded from the AAC calculation. The AAC is determined on either an individual forest management unit basis or specific forest management agreement area basis. Information is stored in a database and summed to determine the total provincial AAC for the province. Data from the Timber Production and Revenue System is used to determine the provincial harvest level. Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest levels if it does not contribute to the AAC. A five-year rolling average is used to report provincial AAC and harvest levels and results lag by one year.

3b Containment and Suppression

Results indicate how quickly the ministry controls wildfires because early success minimizes fire loss and reduces suppression costs. The number of wildfires contained within the first burning period (by 10 a.m. the day following detection) is expressed as a percentage of all wildfires that occur during the fire season (April 1 to October 31).

4a Healthy Sustainable Wildlife

Results allow comparison of the percentage of species at risk in Alberta over time and indicate when special management and recovery actions are necessary. The general status ranking for each wild species in Alberta is based on population size, population dispersion, population distribution, trend in population, trend in distribution, threats to populations, and threats to habitat. The ranks are At Risk, May be at Risk, Sensitive, Secure, Not Assessed, Exotic/Alien, Extirpated/Extinct, and Accidental/Vagrant. Every five years, these rankings are reviewed by species experts from government, industry, academia, and the general public.

5a Process Efficiency

This measure encourages timely reviews and decisions for industry on major, non-energy, natural resource projects, and for stakeholders regarding board reviews of approval officer or inspector decisions relating to confined feeding operations. The date the board review panel deems the case completed is identified and used to determine if the decision report was issued within established timelines (80 working days for *Natural Resources Conservation Board Act* reviews and 30 working days following *Agricultural Operation Practices Act* hearings). Once the decision report has been issued, the number of working days is counted from the last hearing date (or file completion date) to the date the decision was issued. The number of days is recorded with annual statistical data. The results are provided to the board chair and members and recorded in the board minutes.

6a&b Surface Rights Board File Management and Disposition

This measure encourages timely resolution of disputes between industry and landowners when private land is developed for natural resources. A report is run on the Case Relationship Management System to examine file statuses. The files with appropriate statuses are summed to determine measure results. File management results include the number of files heard by dispute resolution conference, mediation, or hearing. File disposition results include decisions rendered, settlement/compensation issued, and files withdrawn, cancelled, settled or resolved. Then the percentage change between current year and previous year results is calculated.